

Toyota cars are built for New Zealand...

We know. Because they've been used and abused from Christchurch to Auckland. And we've a flock of satisfied New Zealand Toyota drivers.

Maybe it's the fuel consumption. Toyotas are famous for their fuel economy. And maintenance costs are virtually nil.

Perhaps it is our testing system that makes so many happy in New Zealand. We have tested our cars in sub-Arctic temperatures for days on end. And then turned around and broiled them unmercifully. They've been through sand, sun, and salt water. Over rough roads and highways until we know they are ready for anything New Zealand can offer.

Toyota cars are built for New Zealand.....and for the world.

Toyota cars are built for New Zealand.....and for the world.



Building for the world we live in.

TOYOTA

CONSOLIDATED MOTOR DISTRIBUTORS LTD.
L.M.V.D.

NATIONAL BUSINESS REVIEW

40 cents

Volume 9 No 6 (Issue 323) February 28, 1979

Plastics panic: price hikes jeopardise exports

SKYROCKETING raw material prices and serious supply problems have cast the New Zealand plastics industry into a state of confusion.

Prices for petrochemicals are rising so rapidly that New Zealand agents for world suppliers are unwilling to accept forward orders at fixed prices.

In some cases, world suppliers have dropped New Zealand off their supply lists for the second quarter. In other cases, quotas have been cut by 50 per cent.

New Zealand plastics manufacturers already have been hit with price hikes since Christmas of up to 30 per cent, and many are uncertain of getting their raw material needs for the next few months.

Polyethylene, one of the industry's major materials, has risen from \$840 per tonne in December to \$850 a tonne in February.



MURRAY CALVERT... "exporting is worst problem."

Suppliers say they wouldn't be surprised to see it reach a \$1000 per tonne within the next few weeks.

Plastics Institute president

Murray Calvert said it is impossible to make any intelligent statement on what is going to happen. "The position is in a continual state of flux and we are literally unable to get quotes for more than one month ahead."

"Exporting is the worst problem. It's totally impossible to quote prices. When it comes to competing in exports, fluctuating prices and unreliable quotes are disastrous."

The Plastics Institute executive is currently preparing a paper backgrounding the situation. It is advising the industry against a repeat of the panic buying that took place in the face of soaring prices and material shortages in 1974. At that time, many local manufacturers panic stocked at high prices, and then faced liquidity problems as world prices fell off.

Until recently, world manufacturers had been dumping raw material here, providing stocks for some local industry at below world prices. World raw material makers have been suffering low returns on considerable investments, caused by an over capacity in the industry combined with rising prices for naphtha.

Naphtha is the petroleum-based feedstock from which most plastics are made, and naphtha supply and demand margins have never been closer. Prices have more than doubled in the last two months.

An Auckland manufacturer based a Government tender on what he thought was a firm price for styrene powder. Now his suppliers want an 84 per cent increase, or threaten to plead force majeure to cancel the contract. A major PVC agent told NBR that his American supplier, Conoco, would not be supplying New Zealand for the next quarter. He could get PVC from West Germany at \$850 a tonne — \$100 per tonne more than the current PVC price.

Elsewhere, supply houses painted similarly gloomy pictures. All said they would try to look after loyal customers, but warned that those who had been playing the market to buy plastic at dumped prices could be left high and dry.

Said plastics manager at Buckley and Young, Laurie Cranfield: "New Zealand has a bad reputation for disloyalty to suppliers. Manufacturers here have been enjoying the rock bottom prices that dumping brought — now the chickens have come home to roost."

Speaking for the industry as

a whole, Calvert said: "It's all very well to talk about loyalty to suppliers, but this is private enterprise and we have to survive. People have chased low prices to do just that."

"We are worried, but I don't think this crisis will push any one through. Frankly, we are more worried about what the Government will do on protection."

Industry sources currently predict a further raw material price rise of between 20 and 30 per cent — but the situation is still far from clear.

One major concern among manufacturers is that price control regulations will not allow them sufficient leeway to

manoeuvre. One may apply for a price increase only every six months. The manufacturer who has recently been granted his last increase will have to wait a further six months to pass on these rapid increases in raw material to the consumer.

One advantage New Zealand manufacturers have over their overseas competitors is that they keep larger stockpiles, while overseas companies close to the source of supply do not.

Thus, New Zealand manufacturers have some breathing space to wait and see where the fluctuating prices fall.

Inside:

DOES the country really want radical economic change of the sort being advocated in economic and official circles? Colin James sees scant evidence of desire for change other than an awareness that all is not well — Page 2

MINISTRY of Agriculture and Fisheries bureaucrats have been rapped over the knuckles by the Court of Appeal. — Page 3

LAST week's Gas Conference in Wanganui considered the issue of a gas pipeline to the South Island and prospects for automotive use of Maut gas alternatives. Rae Mazengarb reports — Page 12

WARREN Berryman puts forward ideas for freeing up New Zealand trade — Pages 16-17

BELINDA Gillespie looks at ingredients for a successful fast-food mix — Pages 18-19

The best tobacco money can buy



Rothmans of Port Mait
World Leaders
in tobacco

Power will generate \$70m extra oil imports

THE Government may well decrease its internal deficit by \$137 million with its massive electricity price increase, but late last week energy specialists said they believed a direct result of the increase will mean another \$60-70 million each year in oil imports.

Energy observers were quick to point to significant downturns in power demand as household budgets become strained by burgeoning electricity prices in the winter.

They say the downturn will mean a lower requirement for Maui gas from the New Plymouth and Huntly gas-fired power stations, and an associated fall-off in condensate recovery from the Maui field.

Hence, the Government will be faced with the dilemma of either spilling water from the country's hydro lakes, and running the gas-fired power stations to stimulate condensate recovery, or using power from the hydro lakes and leaving condensate in the ground.

But which ever action is taken, the Government will have no control over the householder who brings out the woolly jumpers and turns off the heaters.

The shock increase could also mean financial embarrassment for the country's 51 electric supply authorities. The pricing arrangement for the purchase of bulk power from the Electricity Division hinges on a formula which centres on the most excessive peak loads.

On this basis, half the cost of power to the supply authorities is calculated for the year. Thus, if there is a violent cold

snap in a generally mild winter, the supply authorities will be paying an excessive tariff.

Under the old system, fewer dollars were involved in the pricing deal with the Government, but now it is big money. Like consumers, many of the supply authorities are concerned at the implications for the coming winter, and their president, Stewart Duff, has been asking pointed questions about the quality of advice the Government has been getting.

NBR inquiries show that the proposal was offered by Treasury, and it is only now that energy officials are evaluating the ramifications.

One official makes it clear that from an energy management point of view the Government acted rashly.

He says the country should have been faced with solving the issue of supply and use of liquid fuels, and then, as part of an orchestrated action, introduce a series of price increases to electricity or other energy forms.

Another observer said that the electricity price hike could mean the country will be held responsible for triggering the Emergency International Energy Agency's oil pooling plan.

Under this arrangement, New Zealand and other signatories, such as the United States, are obliged to restrain demand if supply falls 7 per cent.

He says if the electricity price increase does in fact create extra demand, at a time when world oil supply has dropped at least 10 per cent, it may be enough to cause us to become the embarrassment of the IEA agreement.

New Zealand's national weekly of business & affairs



Registered at Post Office
Headquarters as a newspaper

Incorporating Admark

Can the Government really control our future?

by Colin James

DOES the country really want radical economic change of the sort being advocated in various economist and official circles?

Would it not prefer to muddle through to the promised fish and blueberry bonanza and the huge energy surpluses of the 1990s?

I ask the question because I have seen precious little evidence of desire for change, outside a fairly small circle pretty much confined to Wellington. There is still less evidence of preparedness for change.

Some proponents of change have claimed that the country is ready for and demanding change. But I think that the general population goes no further than being aware that all is not well, that things are not as they were.

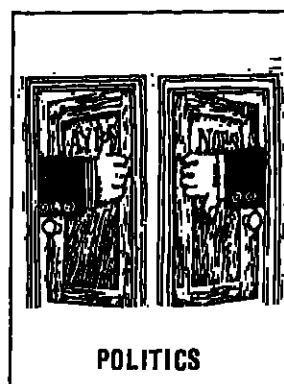
I think they want to go back — to the comfortable, affluent sixties — rather than on to the brave new world. It is more a sense of bewildered loss than excitement at a challenge.

The electoral turmoil of the past few years, the plunge towards Social Credit last November, are more consistent with disorientation than purpose though I have to acknowledge that the main parties gave no lead on to which purpose could be grafted.

More symptoms are likely to show this year: the post-election squeeze to deal with the Government deficit (and a wage freeze?) is likely to provoke more bitterness in industrial relations as workers try to shore up what they see as slipping standards of living, just as they are doing in an arid and directionless Britain right now.

Emigration shows every sign of continuing; business confidence is turning down again. This is the mood of desperation, not boldness.

At this rate, unless something turns up — in the shape of a dramatic agricultural price improvement, or whatever — by 1981, living standards are not



POLITICS

likely to improve much by the next election.

An electorate (most of it) with memories of the steady growth of the 1960s is not likely to react kindly to the Government that did not do something about it.

The Treasury has been telling the economic side of this story to the Prime Minister. And some influential people in the party have been telling him the political side — or at least telling each other loudly enough so he can hear.

"Go on as we are," the conventional wisdom in these circles is becoming, "and we are out in 1981. We need dramatic action. If the Prime Minister won't do it, we will get someone who will."

A move towards freeing the economy would bring with it a bonus: a recommitment of the private enterprise vote, the back-to-basics people with whom Sir John Marshall has struck a chord.

People who have worked with the Prime Minister say he is accustomed to thinking in the short term — and he has good reason to distrust the short-term effects of the radical changes now being urged on him (effects which may be unknowable).

But the sheer weight of political pressure may this time persuade him to try the long-term strategy.

Consider, however, the context in which such a decision would be taken. It would be no imaginative blow for a philosophical, or even ideological, principle (at

least not among ministers — the Treasury may be pursuing a deeply rooted economic philosophy).

It would be an ad hoc reaction, just as countless ad hoc reactions led the Holyoake National Government progressively towards Labour-type economic interference and regulation and away from its free enterprise roots. Holyoake honed down to a fine art the nuances of pressure group politics leaving in his wake a well-tuned and close-knit network of favour-givers and favour-extractors which outflanks most ministers.

If the National Party had been serious about its commitment to free enterprise it would not have waited until now to do something about it, but would have moved when there was some fat in the economy and it could have been more easily done (more easily in the economic sense at least; maybe not politically).

Now things are happening irrespective of whether or not the Government really wants them to. It is being propelled towards radical change by forces beyond its control.

A Labour Government, with its ideology of control, could resist the forces but, if the Treasury assessment is correct, at the expense of electoral survival. A National Government, with no ideology of control, will find it less easy. The realisation of this would come as a shock to the Government, accustomed to an assumption, shared with the electors, that governments can cure all.

Doctors used to have a similar assumption. During the 1970s they have been realising their limitations. Now the "amazing doctor Muldoon" is being told by the Wellington cognoscenti that he cannot cure all economic ills. He is being told that the body economic has to be left largely to cure itself. The best the Government can do, so the new wisdom has it, is administer pain-killers to the parts that hurt the most.

The alternative, he is being told, is a body politic racked by convulsions. Thus a public which instinctively does not like change is, by its very dislike of the change of circumstances that has ended the happy sixties, indirectly promoting change.

There may be more in store. Technological changes over the next 10 years or so may undermine articles of faith that have guided governments for 30 years.

As numerous people take delight in pointing out, Government spending has been growing as a proportion of the country's total spending. The process has fed on itself, turning big government into bigger government, extending control and regulation and expanding the functions, and in the end the power, of the bureaucracy.

It has become commonly assumed that the Executive has the right, and perhaps the



SIR KEITH HOLYOAKE... legacy of ad hoc politics.

duty, to control minutely a large chunk of our everyday lives — for our own good, of course.

As information processing technology has developed, the Big Brother spectre has been rising: the Wangamui computer is New Zealand's most visible example.

But the next stage of computer technology — the microprocessor — may reverse that trend.

Already there are coding devices to scramble your telephone conversations if you wish, at low cost and with virtually no possibility of the code being broken. Bad news for the SIS.

It would be no closed for to hook television sets, not cheap printouts and maybe even cheap information storage facilities, to telephone circuits and import thereby into your home a vast range of information, from the late supermarket prices to commercially-sold Ian Fraser. So much for the trendy left at Avonlea.

Norman Macrae, deputy editor of the *Lancet* Economist, enthuses over the possibilities in microprocessors as opening up to them the electronic communication could, in the next 10 years severely cut down the need for shuffling paper and so to increase productivity as decrease the numbers of office workers — bureaucrats — but in business and government in the process decentralising much current activity.

He foresees a trend towards consumer economics and even consumer politics as people exploit the opportunities opened up to them by multiple choice underwritten attempts at central direction. In a challenging survey, *Economist*, December 2, 1978, he argues a move towards smaller government based on consumer choice.

Macrae's conclusions are not the only ones that can be drawn. But he is almost certainly correct in arguing that the social, political and economic effects of the microprocessor revolution will be far-reaching.

It will not matter whether governments or public bodies are radical changes. They are going to come. The best government will be the one that can ride the tiger.

Court rules against ministry in deer case

by Rae Mazengarb

MINISTRY of Agriculture and Fisheries bureaucrats were rapped over the knuckles by Court of Appeal judges who ruled that they had acted in excess of their legal powers and had misled the Minister into making a decision which denied a South Island company a licence to export venison.

The company was not given reasons for the Minister's decision, which the court found was made on grounds irrelevant to the legal criteria.

The court criticised a report from the director-general to the Minister for not putting the company's affairs into a proper perspective.

And it complained that the facts put to it by the director-general ignored crucial issues and were misleading.

The company was Flordland Venison Limited, which in 1964 established a game packing house.

The company's business was a substantial and valuable one. In 1974 it had processed 5052 deer carcasses (6.4 per cent of the New Zealand total).

Until 1976, game was exported from New Zealand to various countries, the major one being West Germany which took about two-thirds of the total.

From 1976, West Germany imposed stricter requirements on deer imports, but no packing house in New Zealand could meet the new standards immediately.

The Ministry of Agriculture and Fisheries successfully negotiated with the West German authorities a transitional year during which, subject to conditions, exports would be accepted if processed within a limited number of plants for which the ministry was able to provide inspection services and regular veterinary supervision.

The Te Anau company was not among those houses nominated; therefore, it processed only 582 deer in 1976. The Meat Amendment Act 1975 and the Game Regulations

1975 established a new system of licensing.

The ministry notified the company of how its packing house would have to be upgraded to qualify for a licence under the new regulations.

Flordland Venison replied with its plans for upgrading, giving reasons in support of its application (including a reference to its successful operations in the past).

In February 1978, Agriculture Minister McIntyre notified the company that "having regard to the criteria for new licences set out in the provisions of the Game Regulations 1975" — he had decided that the application should be declined and the company was to cease operations almost immediately.

The letter gave no reasons for the decision. The criteria for the granting of a licence are stated in Regulation 10 of the 1975 Regulations. These provide that "the Minister shall grant and issue a licence... if... he is satisfied that — (v) The issue of a licence would not have a significant detrimental effect on the economic operation of any game establishment."

The Minister's decision had followed a report to him by the ministry's director general. That report noted that the Te Anau company processed only 582 deer in 1976.

But it did not say why. Instead it merely said this was not an economic operation.

It added that the deer previously handled by the company were being successfully handled elsewhere, and that the Parliamentary Under-Secretary had agreed a licence for the company could not be justified because of the effect on "existing premises".

After an unsuccessful application to the Supreme Court for a review of the Minister's decision, the company appealed to the Court of Appeal.

That court decided that the Minister had wrongly refused



THE LAW

to grant the company a licence, and proceeded to grant it.

The Court of Appeal was critical of the ministry's actions, which it found almost approached contempt for the regulations which clearly outlined the criteria for the grant of a licence.

Rather, the ministry had rejected the application for reasons of its own.

The court complained it was hindered by "the paucity of the one affidavit filed for the defence."

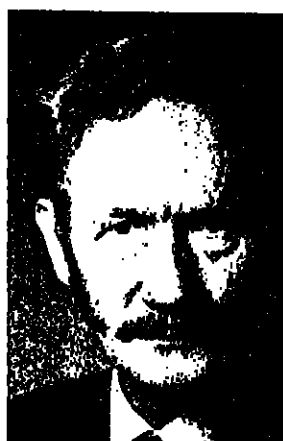
Mr Justice Cooke referred to the Minister's failure to provide the company with reasons for his refusal to grant the licence.

Nor had the court itself been provided with those reasons by way of affidavit from the Minister.

The one short affidavit that was filed for the defence — by the director-general — was "distinctly uninformative on the crucial issues."

In fact the affidavit was misleading because, among other things, it stated that the throughput of the company had declined "dramatically" in 1975 but did not add that this was because, under the ministry's arrangements, the company was not allowed in that year to process for export to West Germany.

The affidavit concluded that the application had been declined because the applicant did not meet the criteria for a new licence set out in the



DUNCAN MCINTYRE... was misled

regulations, without specifying which criteria were not met. On this information, the court was expected to reach its decision.

The court said it was unimpressed by the director-general's report to the Minister, which had failed to put the issues raised by the regulations into focus.

Both Mr Justice Woodhouse

and Mr Justice Cooke concluded that the Minister had rejected the company's application on the grounds of "rationalisation" of the industry. But this was irrelevant to the test of the regulations.

"The regulations do not provide for a policy decision by the Minister," said Mr Justice Cooke.

"They require him to consider only a series of specific and apparently carefully limited questions."

He pointed out that those affected by administrative decisions are "entitled to an explanation."

"This case had 'echoes of another case' involving the Ministry of Transport, because again there was a reluctance to bring out the real purpose of the regulations concerned."

"It is vital for the court to be as fully informed as reasonably possible of the facts and issues as they presented themselves at the time to the authority whose decision is under review," the court's decision said.



That's where I learned the full Thomas Cook story. He told me all about their 900 branches around the world. Even in Dubai and Kuwait. Their international travellers cheques. And the benefits of the Thomas Cook Travel Services card, giving you guaranteed international recognition at any Thomas Cook office in the world. They'll even help you find a competent secretary, interpreter, doctor or lawyer anywhere in the world. A Thomas Cook Travel Services card entitles you to much more than travel services. The picture was becoming very clear.

Thomas Cook is an internationally recognised name. And that helps when you're talking to airline personnel, hotel staff and the like. Because they probably haven't heard of you, your company, and possibly your country.

I am an expert in my field. Thomas Cook are experts in theirs. And in my business I like to deal with the experts. That's why I've changed to Thomas Cook.



Thomas Cook

The trusted name in travel. Everywhere.

Auckland Savings Bank Building, Mercantile Bank, Auckland Savings Bank Building, Commercial Union Assurance Co. Ltd., 200 Victoria Street, Auckland. Phone 783-997. Car Quay & Wellesley Street, Phone 780-797. Auckland Savings Bank Arcade, 200 Victoria Street, Auckland. Phone 491-172. Hamilton Road, Telephone Phone 491-172. Hamilton Phone 80-149 (Hamilton). Christchurch House, 102-112 Lichfield Quay, Wellington Phone 755-107. 550 Columbia Street, Christchurch Phone 82-086.

Business Travel. Tour Packages. Personal travel itineraries. Traveller's Cheques. It costs no more for the superb service of Thomas Cook.

Non-Stop Los Angeles. One-Stop London. Pan Am is looking after business.

Pan Am's 747SP's fly you there faster and more comfortably. And only Pan Am has non-stop USA and one-stop London. For the business traveller we have introduced Clipper Class® A separate section with free headsets. Plus more room and more service, on the ground and in the air. Most of our 747s offer Clipper® Class.

Or if you prefer Pan Am offers a new concept in first class service. Unique reclining Sleeperette® seats and an optional table — for — two dining at your seat with excellent international cuisine on Pan Am's long-range 747SP.

Clipper Class® and First Class Sleeperettes® are available on all 747SP services to Los Angeles and London — Monday, Wednesday, Saturday departing Auckland 6.20 p.m.

You look after business, let Pan Am look after you. See your Travel Agent.



First Class Sleeperette® service.



Clipper® Class, the separate section with an empty seat beside you whenever possible.

We fly the world the way the world wants to fly.

EPSOM

\$159,500 BY GOVERNMENT HOUSE \$159,500 4 bedrooms, swimming pool, gracious home with every modern facility. Master bedroom has en suite, large family room, kitchen, dining room and lounge all open onto landscaped pool area. The kitchen is something you just have to see. Bench space by the yard with Wastewater and dishwasher. This home has everything for people who entertain. Top quality light fittings and carpets. 3 car garaging.

For further information please contact the owner's agent Eric Postlethwaite. Beltons Real Estate Ltd M.R.E.I.N.Z. Auckland 567-099 or res. 567-923

COMMERCIAL MORTGAGE MONEY AVAILABLE

PROPOSITIONS IN EXCESS OF \$100,000 ON ALL TYPES OF COMMERCIAL PROPERTIES WILL BE CONSIDERED

CONFIDENTIALITY ASSURED

Reply with brief details to

The Mortgage Brokers P O Box 1884 WELLINGTON

EDITORIAL

SOMEWHERE in Britain, there is — or, at least, was — a condom vending machine with a notice which advised that the product has been designed to comply with the highest British specifications and standards. "And so was the Titanic," a graffiti writer has added, reminding us that standards are always open to improvement — and should be improved when shown to be inadequate.

Transport Minister McLachlan, however, seems to regard standards as inviolate. After the fatal crash of a Fokker Friendship at Auckland International Airport, he and Prime Minister Muldoon maintained the public had nothing to worry about. McLachlan described as "unfortunate" the doubts expressed about the rescue facilities at Mangere, and insisted they met the rigid requirements of the International Civil Aviation Organisation. Muldoon complained that McLachlan's assurance wasn't properly publicised, and decreed: "When a responsible Minister makes a statement of importance in the public interest, I think the media have some kind of public duty to record it."

Muldoon reiterated that the airport was complying with required standards when the Friendship crashed, and said that if at any time, and for whatever reason, equipment and personnel are unable to meet those standards, the airport is closed to aircraft movement.

But whatever the regulations say, it was obvious that a planeload of passengers crashing into the mudflats would have sorely tested the services. The rescue hovercraft was out of action and one of two rescue dinghies had to be rowed 400 metres to the crashed plane because its outboard engine was out of action. The dinghies, primarily for carrying rescue equipment, could carry only about 10 people each.

The hovercraft had fallen victim to bureaucratic paralysis which had left it inactive for more than a year. Originally scheduled for completion in September after a major overhaul, the repairs were not finished till the end of last year because some parts were delayed, and long before that the question of who should be paid what for rubber fitting work had been raised and remains unresolved. Indeed, the hovercraft initially had been picked up as a bargain, which tells us something about the prudence of buying vital equipment on the cheap.

To cap things off, McLachlan set out to elaborate on his statement at a press conference and succeeded only in exposing his ignorance about the regulations whose worth he had been upholding. He said the two rubber dinghies were all that was required under the safety standards, and that the rescue hovercraft was an extra. But — according to one report — he could give no further details of safety requirements. He didn't even know if different standards of safety were laid down for different airports (Wellington has a jet boat, Auckland does not), yet repeated that he was "satisfied that the standards of rescue and firefighting on airports in New Zealand are adequate", a naive faith rooted in the fact that: "No one has told me that they are not and no one has demonstrated that they are not."

When a senior civil aviation official subsequently acknowledged on Radio New Zealand that the rescue service at Mangere was under strength on the day of the crash, and that the hovercraft should have been operational, McLachlan should have been shamed into resignation. His blind acceptance that the regulations were being met ranks for sheer irresponsibility with the denials from Muldoon and Police Minister McCready that random searching of overstayers had taken place in 1976, followed by admissions that random searching indeed had taken place.

When Ministerial statements become factually suspect, the implications are grave. How, for example, can the public believe that the economy is just as Ministers say it is? Doubts raised about the Government's credibility in turn means business confidence — for one thing — must be built on shaky foundations.

Bob Edlin

Subscribe to National Business Review now... and save 25 per cent

When you subscribe to *National Business Review*, you receive 48 issues of New Zealand's leading and liveliest business publication (news stand price \$19.20), and *NBR Outlook*, New Zealand's only comprehensive annual predictive analysis of political, economic and business trends (\$1.00).

Subscribe now and you save a very worthwhile 25 per cent on the *National Business Review/NBR Outlook* cover price of \$20.20.

Cash price \$20.20

... subscription price \$15.00.

To take advantage of the NBR subscription offer, simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

THE word from some sources close to Air New Zealand is not too good. The company is budgeting, we understand, for a loss of more than \$20 million in its 1979-80 year.

Mind you, there is also a strong rumour abroad that letters of intent have been sent to an aircraft manufacturer for the purchase of a couple of jumbos and also an airbus or two.

And on another front there is some understandable annoyance with the airline's policy of differential payments to staff who are having to move to Auckland and buy new homes. If employees cannot get a reasonable price for former homes, or have to pay more for an equivalent house in Auckland, the taxpayer foots the bill through an ex-gratia payment from Air New Zealand to make up the deficiency.

There is also a growing feeling that domestic operations of the airline will be used to help pay for the international operations of Air New Zealand.

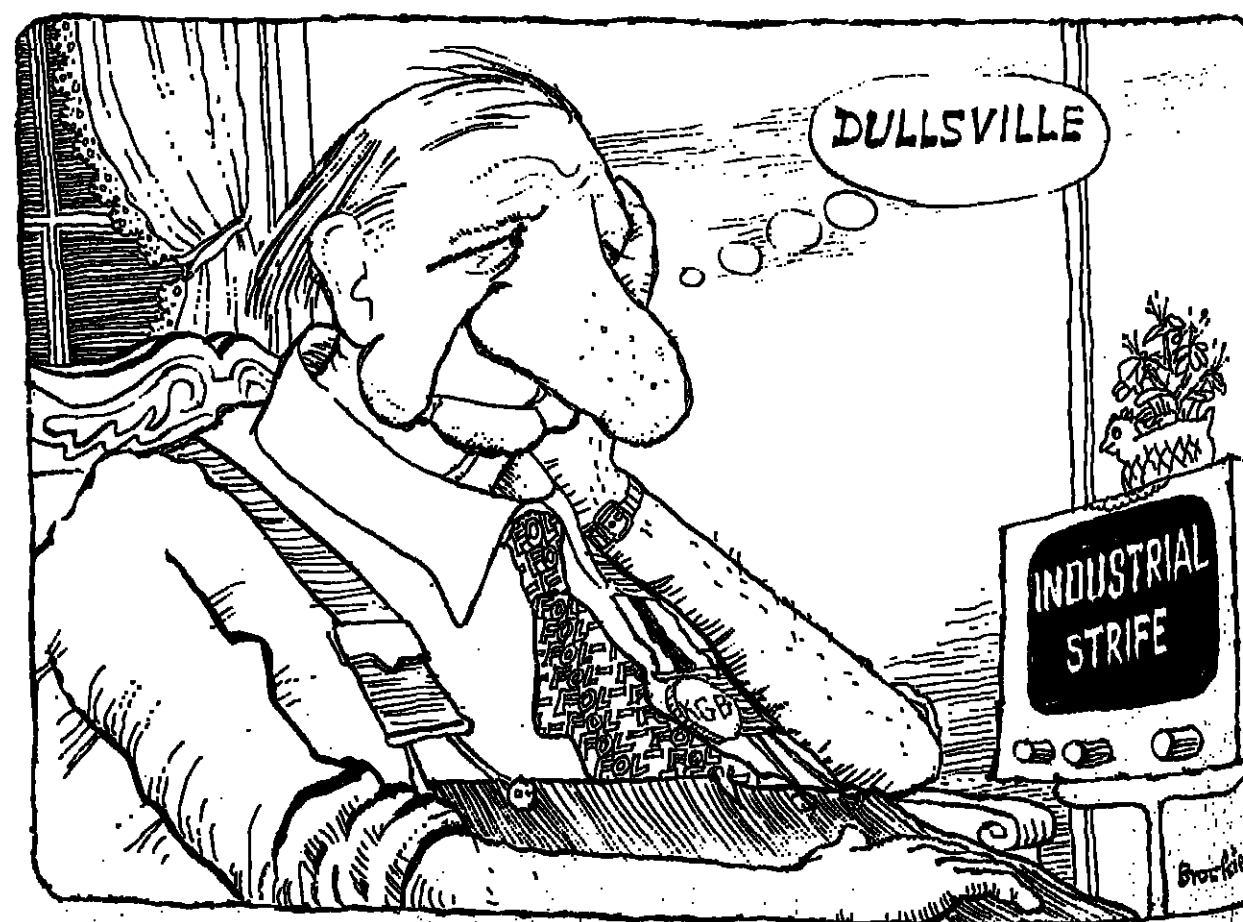
All the fears about the merger of Air New Zealand and NAC leading to costs to the country appear to be coming true.

At least one big building company is retrenching on the grounds that the Government has made it impossible to plan a secure future.

Company executives say they can't prepare budgets or plan new ventures with any certainty when the Government changes the ground rules for their industry from month to month.

Latest example of the Government's shifting the foundations of the industry: the decision the other day to end the restriction which had allowed the Housing Corporation to lend only to families with three or more children, a controversial policy which had been implemented just a few weeks earlier.

BROCKIE'S VIEW



Editor: Bob Edlin. Editorial: Judy Nalder (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie.

Advertising Manager: Paul A. C. S. Loh. (P.O. Box 9944, Wellington 736-676, 889-019, Wellington.)

Auckland office: Editorial, advertising and distribution. Inquiries: Warren Berryman. Telephone: 885-885, 887-801. Published by Fourth Estate Newspapers Ltd, 15 Elric Street, Wellington. Printed by R. Lucas & Son (Nelson-Mall) Ltd, 15 Bridge St, Nelson.

WITHOUT WORD OF A LIE



And there's more to come. Housing Minister Quigley promises further upheaval when the Government's housing policy for the year is announced at the end of this month.

IT'S not the Irish, but we New Zealanders who are the world's big joke, according to Australian Financial Review economics writer P. P. McGuinness.

In an interesting article on the revival of the Irish economy, McGuinness draws an obvious comparison between the way in which the Irish have gone about coping with a problem economy so much like New Zealand's, and the way New Zealand has coped.

"What the Irish are doing is of great interest," says McGuinness, "since it is one of the few examples of a small, developed economy in the English-speaking world which has made a conscious decision to turn its economy around and reorient it in the direction of growth, not through an attempt at interventionism but through the development and encouragement of competitive manufacturing exports."

"Like Ireland used to be, New Zealand is predominantly agricultural, with a highly protected manufacturing sector, suffering from an excess of ill-conceived interventionism and sleepily determined to go from crisis to crisis in the hope that something or other will turn up."

"Unlike Ireland, New Zealand has shown no

realisation of the desperate problems facing it. Despite a Government which pays lip service to private enterprise and competition it continues to cosset a manufacturing sector which is inward-looking and highly protected," says McGuinness.

AS NBR went to press, INL had complained about a paragraph in this column last week.

Discussions on the complaint were not completed before this issue was committed to print. But we would like to emphasise that our reference to the company's selling of properties to cover payment of a dividend referred to INL's desire to maintain its liquidity for a dividend payment.

We were not suggesting that a dividend could be paid only if real estate holdings were sold.

LAST published in June 1974, the Post Office's long-awaited updated directory of box-holders will be issued within a few weeks, we have learned from a Post Office spokesman.

The directory has been printed and is being distributed among the bigger of the country's 1400 post offices.

That news, we trust, should answer the complaint put to us by a businessman that he didn't have an up-to-date directory, and that he couldn't find out from his post office when a new one would be published.

It doesn't take care of his observation that the Post

Office should have box-holder directories published annually and made freely available to the public. This, he argues, would enable the public to post mail to the right box numbers, and so save the time and effort now wasted by Post Office staff having to redress mail.

THE recent issue of *Statecraft* stamps, which feature the heads of Richard Seddon and other notable men of power, is not in the best of taste. A Wellington businessman says his employees have complained so bitterly about the foul-tasting gum on the back that he has been forced to stop buying them.

At least one suburban post office has received numerous complaints from stamp lickers. Only the Statesman issue is causing consumer problems. Although Frank Birch, deputy chief postmaster, recalls a similar incident some years back, complaints about the new issue have not yet reached him.

The Post Office frowns at stamp-licking anyway, and provides sponges or rollers to do the job. Is the objectionable gum a behavioural psychologist's attempt to stamp out a filthy habit?

INL management chose to publicly expose some of its communications problems last week when conjecture was raised about who might run the country's third television channel.

In *The Dominion*, one of the more storm-swept vessels in the INL fleet, TV writer Warren Mayne reported a Wednesday morning that the race was on for a third television channel. He later

retracted his story, saying the race was on for a third television channel. He later retracted his story, saying the race was on for a third television channel. He later retracted his story, saying the race was on for a third television channel.

News subsidiary) and Concept Video (an INL subsidiary) is among the likely contenders, and quoted Vid-Com managing director Eric Price as confirming approaches from executives of Concept Video for a joint bid for a new television network warrant.

The picture became rather

confused when INL's Evening Post set out to make nonsense of *The Dominion* story under the headline "Third TV channel report denied by company head."

The story opened with the news that Price denied reports that a private third television channel was being considered by Vid-Com, and quoted him as saying "Anybody thinking of a third channel at the moment wants his head read."

Price went on to confirm he had discussed matters with Concept Video, but said it was his personal view that no third channel stood a chance of being economically viable before 1988. *The Dominion's* report, of course, had clearly said in the second sentence: "One thing is certain TV's 'not arrive before the mid-1980s'."

More interesting, as things turned out, was a separate item, reporting a denial by INL managing director Alan Burnet (which effectively meant his taking issue publicly with something written by a member of his own staff).

He said he had no knowledge of any plans from within the group to become involved in an application for a possible third television channel. And the headline boldly said "No plan to apply for TV channel."

Mayne returned to the fray in *The Dominion* next morning. This time, he reported that the first firm inquiry about starting a third television channel had been made the previous day (about the same time Burnet was making his denials, maybe).

The story quoted a Justice Department official as confirming there had been inquiries for application forms for a television warrant and a request for details of the information required.

"The inquirer was Mr Donn Lock, managing director of Concept Video, a Wellington firm engaged in television commercial production," Mayne's article said.

Lock said he would rather not comment, but he agreed the Broadcasting Act neither provided for television application forms nor yet included a schedule of requirements for a television warrant. (How did he find that out, we wonder, and for what reason?)

Readers of both Wellington dailies may be cheered to see a good and healthy competition between the two publications, but would have reason to be puzzled about Burnet's going public with a denial in one paper while the other is establishing concept video's third-channel aspirations.

If, as he said, he had no knowledge of any plans within the group to become involved in a third-channel bid, shareholders could feel troubled about INL management's grasp on its own decision-making.

ROTHMANS made a takeover bid for Cocks Wines last Friday which — if successful — would give the tobacco company about 30 per cent of the New Zealand wine market.

Rothmans' subsidiary, Corbana, has between 12 and 15 per cent of the market, and Cocks has about 7-8 per cent.

The biggest market share is held by Montana with about 27 per cent.

Rothmans' bid for the ordinary shares and convertible debentures, at \$2.30 a share, was 50 cents above the current market price of \$1.80. Cocks' directors met on Friday morning and issued a

"don't sell" notice. But 50 per cent of the shares in Cocks are held by Marac. And Marac has been trying to divest itself of interests outside the mainstream of its business — finance.

Rothmans may not be the only company interested in taking over Marac's shares in Cocks. "INL previously expressed an interest in Nobilis and rumour has it that it might now be interested in Cocks."

But Marac is not talking, apart from saying that several parties have expressed interest in their shares.

Rothmans' takeover would cost it just over \$4 million. It would mean a fat capital gain for Cocks' present shareholders, who would be getting 50 cents over market price for their shares.

But many of Cocks' smaller shareholders have been with the company since the beginning and would likely resist the capital gain in light of the future potential of Cocks in a rapidly growing wine market.

But Marac, with its 50 per cent shareholding, is clearly in the driver's seat.

ONE of the staff is resigning from her position with the Architectural Division of the Ministry of Works and Development, with effect from

March 14, and her colleagues obviously figure the event should not go unobserved.

So they hope to arrange a small function prior to her last day at which recognition of the "tremendous effort she has put in" can be made.

And so a notice has been circulated, advising that if you or your office would like to contribute to the presentation, "this donation will be gratefully accepted. A small function will be held to farewell M. . . , the form of which has yet to be decided, and will to a large extent depend on the response to this note."

Invitations to Wellingtonians will be sent out in due course.

If the invitations are sent out as indiscriminately as the note soliciting donations, it should be quite a party.

Our copy of the note was received by someone in the world of private enterprise who had never heard of M. . . , alas, and who was ungracious enough to raise the question of the propriety of public officials using publicly-funded photocopying gear and mail facilities to solicit money from the public.

Without a deeper understanding of M's services to the business community, we must refrain from answering. But we do wonder where this sort of thing will lead to if the idea catches on. After all, there are some 80,000 public

servants out there, and they've all got to quit sometime.

SIR Tom Skinner's impending retirement hangs like a sword of Damocles over the moderates in the Federation of Labour. And the moderates are still scratching their heads wondering to whom to run.

The question of succession may not be a bloodless change from Skinner to FOL Secretary Jim Knox (see story Page 7), despite Skinner's dictum that the new president should be Wellington-based.

An informed head-count by some FOL executive members shows that SUP's Bill Anderson would get more votes

than any other candidate, but falls short of a majority.

This was to be confrontation year for the FOL and part of Anderson's appeal stems from his having been singled out by Rob Muldoon. And Anderson has a big power base in Auckland.

The choice between Knox and the SUP is unlikely to be viewed with much enthusiasm by the moderates — particularly by the younger, better educated unionists who would like to see the FOL improve its public image. And we hear that rather than accept this Hobson's Choice, a deputation of moderates will approach Skinner and ask him to reconsider his retirement — for a year at least.



"Wouldn't it be better off if our money wasn't working for us?"

BANKRUPTCY COURT →

The writing is on the wall for any Company that doesn't check the conditions of its General and Products Liability Insurance.

In business these days, nothing's certain. Imagine if your company's product is found to cause damage and you're sued.

What would happen if you found your present general and products liability policy didn't cover you?

This. If you couldn't pay, you'd be taken to court. Your company's good name would be dragged through the papers and, if the damages awarded against you were high, it could put you through.

Frightening? We think so. That's why our General and Products Liability Policy has been framed to include cover for the unexpected: Personal injury, including libel, slander, false arrest.

An occurrence wording, protecting you against property damage you could cause. Automobile liability, which covers lapses in normal restrictions.

Small, watercraft safety, world-wide coverage, fire liability in rented premises, explosions. And your American International Underwriters policy gives you broader coverage which includes wider groups of employees, even subsidiaries.

Finally, we're the only Company to offer product liability which includes errors of design and formulation.

If this has set you thinking, have a look at your present policy then talk to your broker. He'll

American International Underwriters (New Zealand) Limited Offices: Auckland: 8th Floor, West Plaza Building, Cnr. Albert and Customs Streets, P.O. Box 1745, Wellington: 3rd Floor, Robt Jones House, Cnr. Jervois Quay and Wilkeson Street, P.O. Box 10-238.

tell you that at present, ours is the best policy of its kind in New Zealand.

He'll also tell you that the AIU General and Products Liability Policy can be written to cover gaps in your existing insurance.

If you decide that ours is the best GPL policy for your firm, you won't be alone.

Such far-sighted companies as Wattie Industries, PDL Trigon, Rex Consolidated, the MSI Corporation, Quirk Stik, N.Z. News, Beecham and Kodak New Zealand Ltd have asked us to write their business.

Successful companies who don't take risks. Because they know they can't see around corners.

American International Underwriters (New Zealand) Ltd.

If your Broker can suggest better cover, take it.

To know more, send this coupon to American International Underwriters (New Zealand) Limited, P.O. Box 1745, Auckland.

Name _____
Company _____
Address _____
Telephone _____

Media get rise out of Air NZ chief

AIR NEW ZEALAND boss Morris Davis is not known as a man who mimes his words when he feels strongly about something.

And in a recent speech to the Auckland Rotary Club — which went strangely unreported in most news media — he opened up on the media themselves, and in an unusual move singled out one reporter for special mention.

Davis said: "We (Air New Zealand) for some reason appear to have collected an enemy in the shape of the newspaper, the Christchurch Press, in particular one of its reporters."

If anyone was in any doubt

about the identity of the reporter concerned, Davis went on to name him as Les Bloxham, the Press's travel editor, and commented that while he might be wrong to be suspicious about Bloxham's motives

in writing "destructive comment" about the airline, if he (Davis) was wrong then "the alternative consideration of unfortunate amateurism is inevitable".

Bloxham has recently published in the Press and in the Listener bylined articles critical, among other things, of Air New Zealand's approach to cheap fares and its treatment of the South Island.

But it was not Bloxham's excess of parochialism that was upsetting Davis, it was one feature which made the Press's front page lead saying that Air New Zealand had to withdraw from its long haul routes to Singapore, Los Angeles and Hong Kong, and should instead concentrate on being a carrier across the Tasman and in the near Pacific.

Air New Zealand had made no adequate response to media inquiries (both before and after the Bloxham effort) to possible withdrawal from some services as competition overseas heated up. So Davis's defence of Air New Zealand's expansionist policy made in-

teresting reading. According to Davis, with drawing from the longer international services would mean the airline could dispose of four DC-10s at about \$100 million, leaving, Davis said, about \$50 million in loans still outstanding.

Revenue would be halved from \$230 million to the \$110 million the airline earns from its services to Australia and Fiji, and overseas exchange earnings would drop from \$103 million to less than \$50 million.

Staff numbers would more than halve, dropping from 4500 at present to 2000 — and only 1500 if the remaining aircraft were serviced overseas.

Having supposedly scared his audience with those figures, Davis then went on to make two very interesting observations.

First: "Of course what remained of our international operations would not be profitable, and maybe we should dispose of the residue too." Davis said if Air New Zealand were not able to perform adequately internationally, that was an alternative which should be contemplated.

If we take from that remark that Air New Zealand's trans-Tasman operations are unprofitable (the airline has said before it loses money on the



MORRIS DAVIS... spent up on the media.

Fiji service) then it must be dependent on the long-range routes to make the slim profit it does return on the massive amount of capital it has employed. And that's hardly comforting, given Davis's own comments in the same speech about a tougher international environment in the future.

Second, Davis said he did not believe that the airline could sustain its past policy of confining its operations to the Pacific basin, and still fully service New Zealand's requirements.

He added: "The method by which we expand our influence and our operations may not be traditional — it could well be co-operation with others."

Davis then linked this comment to saying that if those the airline brings to New Zealand must be accommodated, and pointed out that while any choice of aircraft would need a minimum outlay of \$50 million, "there is a need for incentives which will promote the investment of \$250 million in tourist plant over the next five years".

Will the airline go into partnership in the hotel business to boost earnings, or does this mean some other kind of investment in the tourist industry's infrastructure somewhere along the line?

Davis didn't say, but the answer should be interesting for pundits, critics, travellers and tourist operators alike.

Galleries

by Peter Cape

Auckland Society of Arts Members' graphics. Barry Lett, Auckland: New Year, New Works.

New Vision, Auckland: Tiki Aram, painted mandala. Waikato Art Museum: Philip O'Sullivan, paintings. Waikato Art Society, Hamilton: Jim Ayres, paintings.

Manawatu, Palmerston North: David Aitken, photographs. Vivian Smith, paintings and drawings. Dowse, Lower Hutt: Selwyn Muri, Paritaka paintings. Antipodes, Wellington: Jeremy de Courcy Low, paintings. Tony Stevens, ceramics.

Victoria University, Wellington: Sara Tan Peow, Homage to Paul Ode. Galerie Legard, Wellington: Benham, Chilcott, Crook, paintings.

Wellington Settlement: my fanzy Pugh, paintings, drawings and sculpture. Canterbury Society of Arts: Raymond Ansell, paintings. George Kojas, pots; Pat Thompson, photographs. McDougall, Christchurch: Computer Art. Dunedin Public: German Theatre posters.

McNAIR

New Zealand member of International Research Associates — 30 leading research institutes throughout the world.



MAJ 5382

Sweeping changes by new-broom leader unlikely

THE surprise element in Sir Tom Skinner's retirement announcement was bound to inspire controversy. Most of the Federation of Labour's national executive, and the normally adept social fence-hoppers from employer groups, appeared genuinely caught out.

An unconfirmable rumour had national secretary Jim Knox and vice-president Jim Boomer told only minutes before the rest of the executive.

Sophisticated political journalists scoffed at the retirement rumour when it turned up 48 hours before the news was confirmed mid-week.

Which itself leads to speculation. Normally a committed, unabashed and reliable grand-stander, Sir Tom gave his message to the people, before the FOL's national council and via television cameras, in a low-keyed, humble and self-deprecating manner.

After a quick reference to wife and family, he explained that now was as good a time as any to retire — now that the movement had put a few



SIR TOM SKINNER... early departure.

National Party boogies behind it.

He mentioned a return to free wage bargaining and the slow death of the Government's union ballot programme (and probably had

also meant to include trade union success last year in achieving dilutions to punitive industrial legislation). He was reported as looking tired, and repeatedly, as being almost 70.

Nonetheless, commentators reminded themselves briskly that nobody retires more than two years before they need to or they're expected to, without a good reason.

Sir Tom's reason is widely believed to be that now is as good a time as any to allow a suitable, moderate successor to slip in with a minimum of fuss and opposition.

With only two months left until the election at the FOL's annual conference, it is doubtful whether the more left-minded bloc, still a minority, could manage more than token lobbying.

Four years ago this paper reported that Tom Skinner was grooming Jim Knox for stardom. Knox remains a safe prediction, but Sir Tom's tendency then to allow him a fair proportion of the limelight has all but disappeared.

The president has stayed well to the fore while the boogies, particularly ballots,

were dispensed with. Knox has been quiet or, to favour the favourite theory, kept in reserve.

A fair second choice is vice-president Jim Boomer, who has previously been regarded as comfortable where he is, and without great ambition.

The journalists' favourite because he's colourful, a bit pinker and younger, is Wes Cameron from the Canterbury Trades Council. Unexpectedly, but probably for some similar reasons, he is also favoured by a number of National politicians. Significantly, he has support in employers' circles too.

Cameron, though, was elected to the executive only recently, albeit roundly. He is a more likely starter for a stronger bid in five years' time.

A fourth possibility is Ted Thompson, secretary of the Waterside Workers' Federation, and a high flyer in executive elections. But he is not a so-called "Skinner man", in the true sense of the words.

Looking on is the Government, with a new young Minister of Labour who might fancy a few bouts with someone more sprightly than Knox, or Boomer, but who might not have much say in the

matter. There remain two theories. Skinner has retired in the knowledge that he can count on being replaced by someone of his own liking, and in five years time, won't care. It is inconceivable that he would allow himself to be remembered as the FOL leader whose influence was immediately swept away by a complete new-style broom.

Or Skinner has retired in the knowledge that the Government is in fact planning to introduce some form of wage limiting which would bring with it a long and not glamorous battle he can't count on winning.

"No other systems can revise your complete annual budget in 15 minutes."

Would you like that sort of tight financial control over your Company's money? Would you like immediate access to cash flow projections from any branch or division?

Would you like to be able to prepare planning reports, budgets, expense reports and financial statements — at the touch of a button? And have the results printed out immediately to Board Report standard? Would you like to project the effect of a "change in the lending rate through your budget? Or possible fluctuation of exchange rates? Or varying degrees of inflation? Or percentage retentions on contracts, or debtors collection rates?

Would you like to do these things without hiring an extra half dozen executives? You can.

CBL have a program called MAPS to do just these things. An on-line computer system connecting a visual display terminal in your office to a central computer.

You operate it yourself — you need no previous computer ex-

perience. The system was designed to be operated by business men in their own offices. For the \$2,000-odd it costs to buy your terminal, you have access to the fantastic data processing power of a \$300,000 PDP 11/70 computer.

We have some very satisfied customers
Command Services Corporation
Fletcher Holdings Limited
International Harvester
Marac Finance
NZ Co-operative Dairy Co Ltd

They use MAPS. Ring them up. Ask them what they think of the system. An independent view is always well worthwhile. You never know, you may have shared a problem with one of them — you may find MAPS fits into your Company too.

Find out the rest of the story. We can send you a full brochure on MAPS by return. Clip off the coupon below and post it. Or telephone and ask for the MAPS brochure to be sent to you.

Auckland - Kim Walker 31-489
Hamilton - Mike Bell 84-319
Wellington - Ralph Martin 857-939
Christchurch - Ross Allan 797-480

CBL

COMPUTER SYSTEMS & SERVICES

Technical Experts

Talking Business English

NAME _____
COMPANY _____
TELEPHONE _____
ADDRESS _____
POST TO: P.O. BOX 13147
ARMAGH CHRISTCHURCH

McNair. The complete research service. Yours for the asking.

McNair — the complete research service — offers marketers and advertisers these valuable benefits:

- A wider range of effective research services, skills and experience, including media research.
- Formal presentation and detailed

personal explanation of commissioned survey results.

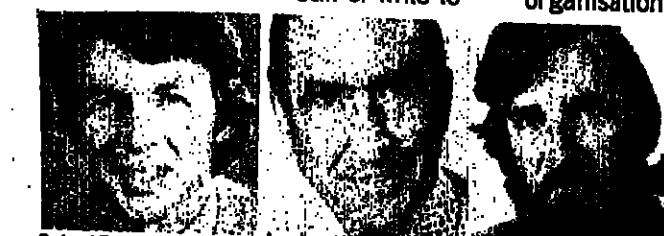
- Better coverage of the New Zealand population and market-place. McNair asks questions everywhere, even in remote rural areas, if necessary.
- The special benefits of international co-operation through close association

with other members of the world-wide INRA group.

- Above all, the reliability, integrity and confidentiality of a responsible, long-established and highly respected team of experienced researchers. Ask us for a checklist of major regular clients.

McNair doesn't just ask questions. McNair solves problems and exposes opportunities. You can test those claims by contacting us to talk about your information and marketing needs. We're in Auckland — call or write to

Alan Withers, Richard Todd, Ron Stroeven or Wade Robinson; and Wellington — David O'Neill. McNair — Australasia's largest and most experienced research organisation: advertising research, market research, media audience measurement, social research.



Richard Todd, Managing Director. Alan Withers, Director and Auckland Manager. David O'Neill, Director and Wellington Manager.

McNair Surveys N.Z. Ltd, 6 Whitaker Place, Auckland 1. Phone: 770-388, 770-225, 770-295. Telex: McNair NZ21018. 181 Willis Street, Wellington. Phone: 842-448.

McNAIR

New Zealand member of International Research Associates — 30 leading research institutes throughout the world.



MAJ 5382

FOURTH ESTATE SUBSCRIPTION SERVICE

To subscribe to or purchase any of the newspapers, directories or books published by the Fourth Estate Group simply fill in and post the coupon below. Please make out cheques as indicated. If two different companies are indicated for multiple purchases, please make out cheque to Fourth Estate Group, P O Box 9344, Wellington.

(Please ✓ where appropriate)

☐ I/We enclose \$15.00 for one year's subscription to National Business Review.

☐ Please bill me/us.

☐ I/We enclose \$31.20 for the 19th edition of The New Zealand Business Who's Who (includes handling charge).

☐ Please bill me/us.

☐ I/We enclose \$..... forcopy/copies of The Future of New Zealand Agriculture (\$4.50 per copy).

☐ I/We enclose \$..... forcopy/copies of Participation & Change in the New Zealand Workplace. (\$4.95 per copy)

Name.....

Address.....

Occupation.....

Signature.....

So, just as our exports to China are changing from the traditional commodities like timber and dairy produce, the Chinese are looking to diversify their interests in New Zealand.

Said one embassy source: "We like to trade with anyone. If New Zealand can offer the things we need and is competitive, we would like to trade with you."

Fair enough; but New Zealand can expect increasing pressure to ensure a reasonable balance of trade.

A hint of New Zealand trade patterns in the next 20 years can be garnered from the space bookings for this year's World Trade Fair in Wellington.

Asian countries provide by far the biggest contingent of overseas nations trying to sell goods to this country. China is the largest with 1000 square metres, followed by South Korea (700 square metres), the ASEAN nations (600 square metres) and Japan (300 square metres). Together, Asian countries will be taking up some 2500 square metres of display space.

Western European nations have booked 1800 square metres and East European countries have ordered just under 900 square metres.

A people problem

MAY a labourer on special work express an opinion on the real problem in New Zealand today? The press and politicians say it is economic, but surely it's a people problem, a management problem.

When a management decision has to be made, is the prime consideration something the workers can easily understand, like the long-term interest of the company for instance? No, it's more likely to be what suits the manager's ego, and how he appears or thinks he will appear to his superiors.

Business activity is slack at the moment, surely an opportunity to go through the whole organisation to see that every form or return is necessary: every secretary needed, or is it prestige; every cost examined, so that when business picks up the company is in fine shape to take advantage. But it doesn't seem to be happening. True, some unskilled people have been thrown out, but to bear with a fruit tree has to have its top pruned regularly, not hacked at the base.

Up service is paid to skilled men getting the right margins of pay. My youngest son, a skilled worker, gets an hourly rate 84 per cent higher than mine as unskilled. Some years ago I worked at a place where all the workers got there 14 hour to 20 minutes early and went straight to work; smokers were taken reluctantly; men worked right up to the whistle for quitting time and then cleaned up — an employers' paradise? No, all skilled, semi-skilled and unskilled people got the same pay in their teams, we all knew we were dependent on the other teams, and no-one wanted to look as if he was dragging his feet to his mates.

I remember working at a job (nursing) where pay was poor but morale was high and a strike unthinkable. Not long after that, I worked in a car-making factory where

hardly a week passed without one section or other coming out on unofficial strike, yet pay was good. The difference was in the way we were treated. The Tongariro project goes smoothly: the Kawerau expansion is a load of problems, the Auckland harbour bridge (Nippon clipper) goes smoothly; Mangere bridge is a problem. Of course the unions are blamed, but that is only a get-out. In many cases, the same person has worked on both jobs.

When a supervisor is selected, he is often not trained for the job, it doesn't matter much as the main concern of the manager is to pick a man of stronger personality than the union representative. Trade unions are realists and quickly change a person if he doesn't perform. I remember at a union election there were two candidates, one a communist, the other was probably right-wing — and he won. The communist got few votes, but when this young man went up to negotiate for us, the manager was either away or unavailable. It was soon obvious that despite his sincerity he was being played with. He realised it too, and picked the job in and we had a communist shop steward. Not having had a strike for 27 years, the company must have thought we wouldn't come out on strike when he threatened, but we did, for five days. The company would probably have given way sooner, but they have to watch out for their fellow federation members.

Some people seem to think that if unions were voluntary, there would be fewer strikes; they are living in a dream world. The left-wingers will always attend union meetings. If the rest don't bother, a minority view prevails. What happens if it comes to a showdown? What does the mass do? That's the real question: it goes with the union, after all, what other support has it?

It has been suggested that the workers' award should be like a contract and have penalties. The American



LETTERS

worker has a system like that, but his union contribution is usually about one hour's pay per week, giving the union leaders big funds to invest to pay strike-pay and employ skilled negotiators. Their law says that negotiations must be free and fair, all questions answered, nothing held back. The company must open its books and discuss future plans. Big changes in the law are necessary here, big changes in management thinking too.

Like most workers, I vote Labour. I don't give a damn who owns the organisation, what matters is that it's well

run, the workers are well-treated, and the consumer gets a fair go. Why all the fuss about profit; hospitals, and other Government bodies don't run at a profit. We need a better yardstick to see that all organisations are well run. I don't see any difference between a pay increase not matched with increased productivity, and an increased profit that has come from increased selling prices and not increased efficiency of management.

The rich get richer and the poor get poorer. If the poor were to get more money they would spend it on food, clothing, furniture and so on, all home produced. But it's the rich who get more, and they spend it on overseas travel, cars, colour television, fine china and so on, all imported — hence a balance of payments problem.

Inflation hurts the worker most; his pay falls behind and he gets blamed for all the nation's economic problems as he tries to catch up. But how comfortable it is for a chairman to announce higher profits and dividends — out of higher selling prices of course. Not very long ago, wage

increases of 6-7 per cent were supposed to be inflationary, yet we have recently had wage increases of 8-10 per cent and the rate of inflation is coming down.

There is no doubt, in my mind, that New Zealand's problem is the low level of management competence, or to put it another way, the penalty for poor management is not severe enough. It's the rate of increase of productivity that matters.

Bill Langford, Ruakaka, Northland.

Fulsome praise

YOUR issue of February 14 carries the headline "Ferry godfather spoke too soon" in reporting a comment by the Minister for Transport, Colin McLachlan, concerning the record number of passengers and vehicles carried across Cook Strait by the Railways Department during the peak holiday season.

Our Concise Oxford gives the meaning of fulsome as: cloying, excessive, disgusting by excess (of flattery, servility, exaggerated affection). — Editor.

Commercial and Industrial Selling — Leasing
Phone 726-209 Wellington
harcourts

Dairy Board gives milk market a shakeup

by Belinda Gillespie

INDIVIDUAL processors of town milk have been trying for years to win permission to sell flavoured milk in cartons. They can be forgiven if they now feel piqued about the Dairy Board's intrusion into the market.

The Dairy Board, ostensibly permitted a licence for a plant to manufacture an export product, will enter the domestic market with an attractive flavoured product not legally defined as milk. But it is bound to make waves on the home front.

The Dairy Board will release its flavoured milk on the New Zealand market later this year.

The board declines to discuss prices. But according to an unconfirmed report, cartons would cost 30 cents for 250 ml, and 60 cents for 500 ml. The final price will certainly be comparable with that of other packaged, flavoured drinks, rather than bottled milk.

The board has been granted

a licence to import the necessary Swedish plant and cartons because of the export potential of the product.

Although plain and flavoured milk are the products now under consideration, the plant has the potential for packaging other milk based goodies such as baby foods and whipping cream.

The milk will be produced at Takanini and marketed initially in the Auckland area.

The exercise is planned primarily as an export venture, but the existence of the local market will help build up export trade and give a chance to develop both product and expertise.

The milk will be subjected to "ultra heat treatment", which heats it to a very high temperature. The milk is sterilised without losing flavour or nutritive value.

Previously the board exported the components of UHT milk — fat and milk powder — to plants abroad. The new export will be the milk itself in

When milk doubled its price back in 1976, Rob Muldoon appeared on prime-time television with a bottle of milk in one hand, and a bottle of pop in the other, figuratively speaking.

If people could afford Coke, he reasoned, they could afford milk.

Milk Board research has shown that milk has a wholesome, nurturing image associated with farms and motherhood. The comparison with soft drink, even to justify a price hike of 100 per cent, was spurious and crass. Nor did it help milk sales.

Complete removal of the milk subsidy will bring the price of milk up to 18c for 600ml. The question is not whether this will be done, but when.

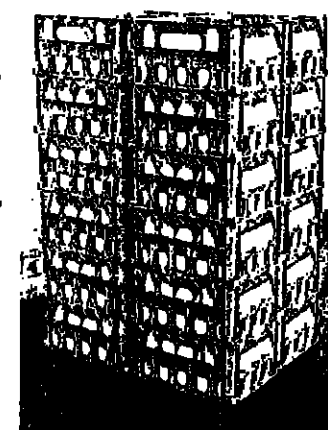
Sales of milk dropped drastically after the last big price rise, and have never recovered.

The town milk industry would like to see the next price rise occur in a series of two cent steps taking place at six month intervals. Another radical increase, it is felt, could cause the bottom to drop out of an industry already beset with popularity problems.

But there is an uneasy feeling in the industry that the Government will go the whole hog and virtually double the milk price along with the post-election package of power, bread and other essentials.

an attractive cardboard and foil brick pack.

UHT milk has a shelf-life of many months and needs no refrigeration until after it is opened. The advantages to the Pacific and South-east Asian markets are obvious, and there are already several



It will have keeping qualities, transportability and an attractive pack similar to flavoured drinks, but the high-food-value status which goes with milk, whose short shelf life and cumbersome container have always limited sales.

Graham McPherson, giving the Milk Board point of view, says he doubts that flavoured UHT milk will make inroads on the domestic milk market. Flavoured milk "is outside the meaning of the Milk Act". Under New Zealand law, adding extraneous substances to milk turns it into something else.

The Milk Board, therefore, declares itself unconcerned by the advent of the new, glossy product.

Individual milk treatment stations, however, from time to time have produced flavoured, fresh chocolate milks which have been successful on the local markets.

People already flavour their own milk at home, McPherson pointed out. Whether the Dairy Board product will affect the

market for bottled milk is an unknown quantity.

Dick Roberts, general manager of the Hutt Milk Corporation, says he believes the key to the market for flavoured milk is the convenient carton pack. The Swedish "tetrapak" cartons which the Dairy Board will use are made of laminate — foil layered between cardboard — a material necessary for the UHT process. Town milk suppliers who want to package fresh flavoured milk require only a straight cardboard container.

Since 1970, Roberts has been trying to get a cartoning plant for fresh flavoured milk established in New Zealand. Initially the Government would not grant import licences for a continued supply of the cartons, at present manufactured in Melbourne from imported American board. A move to import a machine to stamp out the cardboard blanks was also thwarted because of the need to import the American cardboard, as none suitable is made here. Now New Zealand Forest Products is testing a board which it has produced, and which seems to meet the industry's requirements. If suitable, it will be used to make the cartons in Melbourne, though eventually it is hoped that UEB will make them here.

Without appropriate containers, town milk suppliers can't compete with the sophisticated Dairy Board product, despite the modest local successes of bottled flavoured milk. Competition is possible only if local suppliers have access to cartons and can make daily supplies of flavoured but perishable milk in the convenience pack which meets modern consumer demand.

The new Xerox 3400.

It sorts out more than your paper handling problems.

This is the new Xerox 3400, the latest addition to the Rank Xerox range of compact, free-standing plain paper copier duplicators. Naturally it does everything you'd expect of a small copier, but with one big difference... it sorts out almost every small copier problem!

The Paper Handling Problem.

The Xerox 3400 with automatic original handling, twin tray paper feed, straight paper path and an on-line sorter copes with everything from input to output, finishing the job that other copiers only start.

The Reliability Problem.

The 3400 has its own built-in diagnostic system, with a mini computer that automatically senses and corrects most potential problems before they have a chance to arise.

The Quality Problem.

A variable density control lets you lighten dark or coloured background originals; darken light or faded originals. A newly refined image development system gives you sharp, clear images from line drawings, typescript, photographs... almost anything.

The Servicing Problem.

Because the new 3400 is a Xerox 3400, the back-up support doesn't start and stop at the Sales Representative. Behind every machine is a nationwide team of sales, service, supplies and staff training professionals.

The Decision Making Problem.

The 3400 gives you the best of both worlds. All the space-saving, cost-saving benefits of a small free-standing copier. With all the time-saving automatic facilities of the big machines.

The Information Problem.

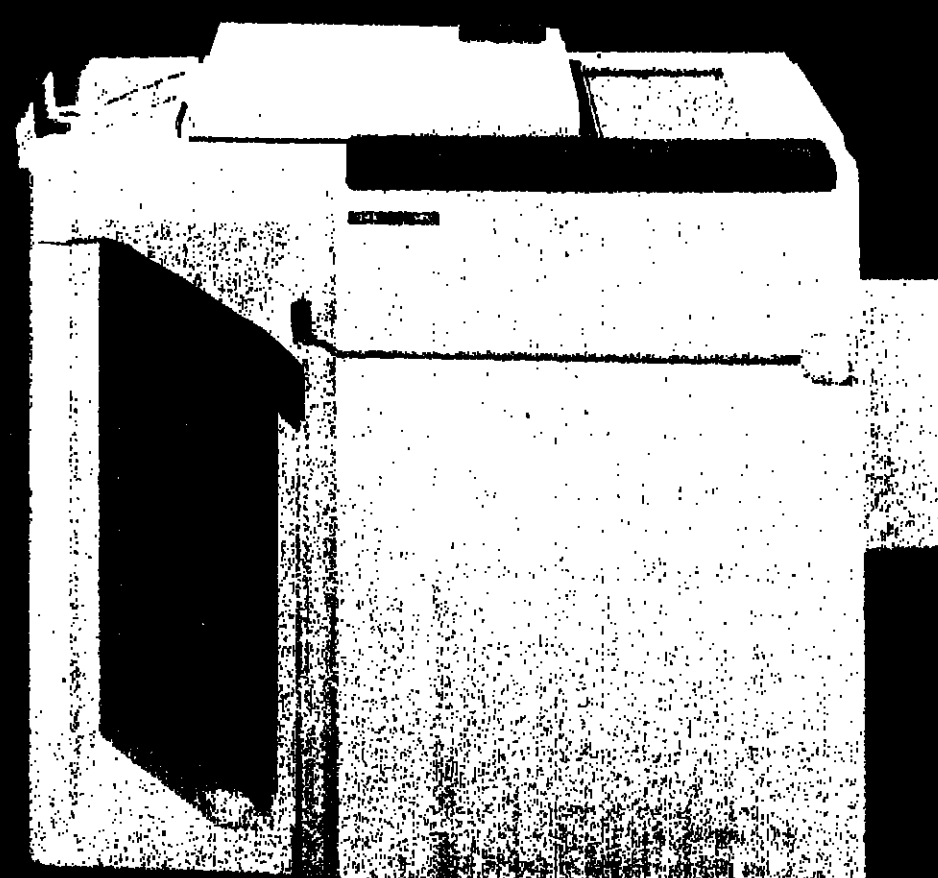
Pick up the phone right now. Call Rank Xerox and get all the information you need. Facts, figures, specifications, sizes, prices, and how soon the Xerox 3400 can begin sorting out a lot of problems around your office.

RANK XEROX®

*Xerox and Rank Xerox are registered trademarks of Rank Xerox (N.Z.) Limited.

Rank Xerox.

Leading the race for productivity.



THE REAL MULDOON

BY SPIRO ZAVOS

WHAT THE REVIEWERS ARE SAYING

"The Real Muldoon is much more rewarding than the Prime Minister's own two dismal attempts at autobiography. It reads particularly well. The style is energetic, witty and trim, and the book is put together well."

W. P. Reeves, Dominion

"Zavos is a perceptive observer, a master of the probing phrase, the analytical paragraph."

Nicki Brown, Manawatu Evening Standard

"Of all the weighty issues The Real Muldoon raises, it's odd that Mr Muldoon now seizes on this in trying to discredit the whole commentary."

M. J. Insall, Waikato Times

"... the book... usefully illuminates several aspects of an exceedingly complex character."

P. J. Scherer, N.Z. Herald

"To all who are fascinated or repelled by our Prime Minister... this book is recommended reading."

S.W.G. Hawkes Bay Herald-Tribune

"The Real Muldoon is the first objective biography of a New Zealand Prime Minister... it sets a high standard for its successors."

Dever Ahear, Southland Times

ONLY \$9.95 AT ALL GOOD BOOKSHOPS.
OR DIRECT FROM FOURTH ESTATE BOOKS, P.O. BOX 9344, WELLINGTON.

Participation... key to greater productivity



N.Z. case-studies in important, new management methods

"It is imperative that we re-orient our work organizations to the radically changed circumstances we face as a country."

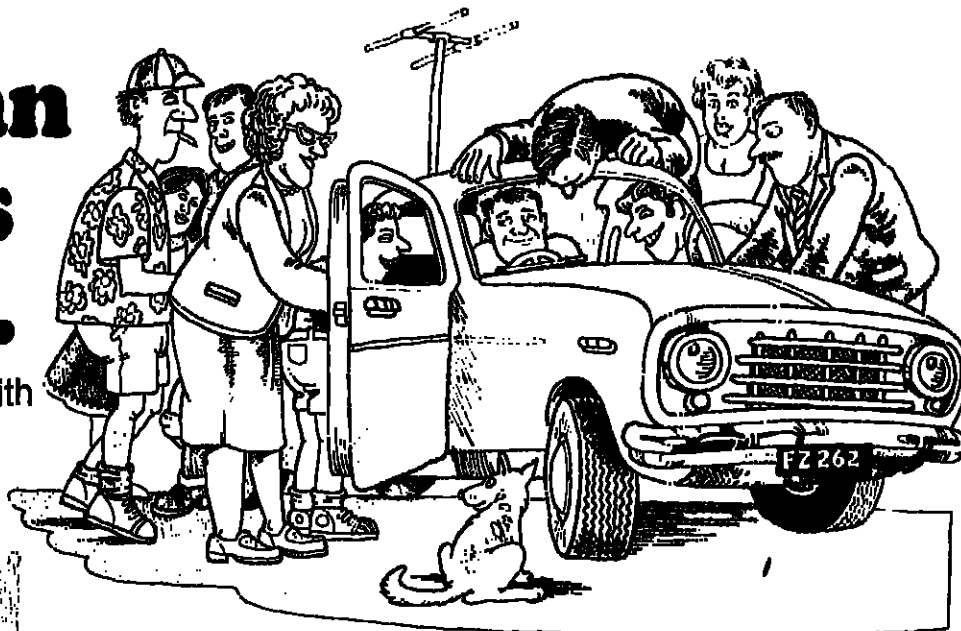
So says Roy McLennan, senior lecturer in Business Administration at Victoria University, and editor of *Participation & Change in the New Zealand Workplace*. This important new book is intended to help New Zealanders develop insight into methods which can transform the performance of our enterprises, and the satisfaction people get out of their work.

In a highly readable introduction, McLennan explains how participation and change, or "Organization Development", works in theory... then three New Zealand pilot studies show what happens in practice as well.

Participation & Change in the New Zealand Workplace, published by Fourth Estate Books. Only \$4.95 at all good bookshops, or direct from Fourth Estate Books, P.O. Box 9344, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

Ask your adman how many car TVs there are.

Multi-Net. Getting your show on the road with any one of our deals and packages.



Ask your adman how he reaches the under 30's.

Metronet. Putting your point across when and where this elusive market is listening.



Ask your adman how he talks to the beach bunnies.

Multi-Net. Wherever people are enjoying life, they're never out of range of radio.



Ask your adman how he communicates with yachties.

Multi-Net. Radio waves zero in on any target. Your people are listening wherever they are.



Admen cross with TV changes

BROADCASTING chairman Ian Cross's announcement that Television One and South Pacific Television channels are to be horizontally structured has left many advertising men correspondingly flattened. Reactions range from the guardedly optimistic to something approaching despair.

The official advertising organisations have expressed approval for the reasons behind the re-organisation. But they are mildly apprehensive regarding future methods of packaging time for sale.

Asked by Admark how the Association of Accredited Advertising Agents viewed the proposed changes, the president, Jack Iloit, replied: "Until we see a firm outline of the proposed new administration for selling advertising on both channels, there is nothing in particular to comment on."

"In general, however, our association would applaud any move which, in the national interest, achieves efficient rationalisation of services with ultimate cost economies and improved programming."

"It is possible we will come to regret the absence of competition for advertising which currently exists and which is a spur to innovative ideas. There will certainly be need for a judicious use of the monopolistic power that the new order will bring about."

John Curry, vice-president of the Association of New Zealand Advertisers, said his

association saw the objectives behind the rationalisation as in the interests of the public and advertisers. But he was apprehensive that "a rise in rates may no longer be based on audience shares".

He said he hoped there would be no loss of advertising flexibility and was concerned "that the advertiser may lose the opportunity to place advertising where it will be most effective and finish up with a programme that does not suit his needs".

In a television interview following the announcement, Cross saw he personally favoured a reduction in the volume of advertising on TV. Questioned on the effect of this on advertising revenue, his curiously-worded reply suggested that increased rates

"At present agencies can select their time zone, day of week and programme," he said. "The selections are based on a whole technique of sophisticated network planning which may go by the board overnight."

"It may be that agencies will no longer have the freedom to nominate the required placements and time may merely be allocated. These are our fears."

A second agency director expressed concern about the effects of Cross's ideas on programme innovations.

Cross had stated that the changes would make it possible to meet BCNZ objectives which included catering to minority and cultural audiences at more suitable times than is usually possible at present and fulfilling the social, cultural and educational potential of television.

"Television is a medium with the broadest possible appeal," said the director. "Taking a night at random, February 7 saw two-thirds of Auckland homes viewing television. Cross is looking for the opportunity to allow programmes of limited appeal for minority or cultural audiences. If these are scheduled in peak time, the result will be a reduction in total audience which means loss of selling power as far as advertising is concerned. And because the viewer has less opportunity to look at the programmes he wants to see, he's getting less value for his licence fee."

Cross's veiled reference to reducing the volume of advertising but selling it at a higher price, the director argued, had little reference to the supply and demand position. Advertising would still have to reach people at an economic rate. Otherwise money would go out of TV.

"One factor worth remembering," he concluded, "is that when two channels compete for revenue, the result is an increase in total revenue, as it is in any competitive marketing situation. But if competition no longer exists and audiences drop, the future TV revenue picture may not be so rosy."

The spokesman for a third agency — its chief executive — was more sanguine. "The plan makes quite a bit of sense, calling as it does for a more efficient use of resources," he said.

"Whether the economies made possible will be passed on to the advertiser remains to be seen."

"I'm not at all sure — especially as some steep rate increases in the past have not been justified by either added audiences or inflation pressures. In fact, advertising has been asked to subsidise the costs of two-channel establishment."

With regard to the situation of minority audiences, he said he thought it possible that integrated selling could come up with deals for time on both channels that would remove the imbalance. While there would be monopoly selling,



One agency director said he was afraid that the lack of competition between the channels would lead to a revised rate system and loss of buying options.

"At present agencies can select their time zone, day of week and programme," he said. "The selections are based on a whole technique of sophisticated network planning which may go by the board overnight."

"It may be that agencies will no longer have the freedom to nominate the required placements and time may merely be allocated. These are our fears."

A second agency director expressed concern about the effects of Cross's ideas on programme innovations.

Cross had stated that the changes would make it possible to meet BCNZ objectives which included catering to minority and cultural audiences at more suitable times than is usually possible at present and fulfilling the social, cultural and educational potential of television.

"Television is a medium with the broadest possible appeal," said the director. "Taking a night at random, February 7 saw two-thirds of Auckland homes viewing television. Cross is looking for the opportunity to allow programmes of limited appeal for minority or cultural audiences. If these are scheduled in peak time, the result will be a reduction in total audience which means loss of selling power as far as advertising is concerned. And because the viewer has less opportunity to look at the programmes he wants to see, he's getting less value for his licence fee."

Cross's veiled reference to reducing the volume of advertising but selling it at a higher price, the director argued, had little reference to the supply and demand position. Advertising would still have to reach people at an economic rate. Otherwise money would go out of TV.

"One factor worth remembering," he concluded, "is that when two channels compete for revenue, the result is an increase in total revenue, as it is in any competitive marketing situation. But if competition no longer exists and audiences drop, the future TV revenue picture may not be so rosy."

The spokesman for a third agency — its chief executive — was more sanguine. "The plan makes quite a bit of sense, calling as it does for a more efficient use of resources," he said.

"Whether the economies made possible will be passed on to the advertiser remains to be seen."

"I'm not at all sure — especially as some steep rate increases in the past have not been justified by either added audiences or inflation pressures. In fact, advertising has been asked to subsidise the costs of two-channel establishment."

With regard to the situation of minority audiences, he said he thought it possible that integrated selling could come up with deals for time on both channels that would remove the imbalance. While there would be monopoly selling,

competition had been unhealthy in a number of ways. Some deals offered had been of questionable value.

The main danger of monopoly was the development of a take-it-or-leave-it attitude.

He summed up: "Overall I think the new proposals will improve programmes, spread the spectrum of TV viewing and improve TV as an advertising medium."

"A very sad affair," was the contrary opinion expressed by the manager of a fourth agency.

"It's a negative move," he said. "TV loses a lot of its appeal from the point of view of planning and the ability to reach audiences. To take the competitive nature out of programming takes the heart and soul out of advertising."

He contended that reducing the amount of advertising time would make TV advertising less attractive. A tight situation with a pinch in time availability in key zones would evolve.

TV still had to stay competitive, and he said he could see a great opportunity for competition from colour magazines. Present magazines would have to be stepped up and others introduced. "We could then reach the situation, as in Australia, where it is possible to mount a highly successful campaign in colour print media without recourse to TV."

The chief executive of a fifth agency took a philosophic stance. "From the public and social points of view, it is easy to see the logic of running the two organisations in tandem," he said.

"Probably something like this had to be done as a compromise, dictated by the size of the country. Never-

theless, any reduction in the competitive edge is going to uncover some problems. Something will be lost in eliminating the identities of the two channels.

"Listeners have certain loyalties. So do the people and personalities who make up a TV channel. What motivates them now?"

"Similarly, will the combined advertising department have the same motivation to sell as they had when in competition? We had a really competitive situation with TV2 becoming a force in its own right. Let's hope that the selling of advertising won't drift back to the old monopolistic rut."

He also sounded the warning that TV will still have to deliver audiences on a cost-efficiency basis or else surrender to other media.

"And, incidentally," he said, "I imagine other media are welcoming this move."

So the message is clear. The great TV honeymoon is over. Although Ian Cross may deplore the numbers game as a means of assessing the popularity of TV programmes, advertisers will still be counting viewers in terms of target markets.

Television will not command premium rates due to scarcity value alone. It will still be required to perform by delivering prospective customers at costs at least comparable with alternative media — under the proposed new system, or any other.

AN account in our February 14 issue of the argument between

Retail big agency business

AN account in our February 14 issue of the argument between

Woolworth's and the Newspaper Publishers Association on the payment of commission to agencies on retail advertising recalls that retail is big agency business in such countries as Australia, Britain, and the United States, where commission problems apparently do not arise.

We are reminded of this through a report released by Harold Austad, chairman of J. Iloit, concerning its American associate agency, Ted Bates.

Bates' worldwide billings now exceed the magic billion dollar mark, no doubt assisted by recent acquisitions of large United States agencies. The latest of these is Savdon and Bees, a New York agency specialising in national and regional retail advertising.

In 1978, its billings exceeded \$30 million, which makes the retail business pretty interesting.

Iloit, which handles a number of retail accounts here, will no doubt be interested to avail itself of the share-out of expertise from this source — a standard procedure with multi-national agencies.

Commercial and Industrial
Selling - Leasing
Phone 726 209 Wellington
harcourts

COMMERCIAL
SPACE
OFFICE - WAREHOUSE
INVESTMENTS
If you haven't tried
WEYBURNES
you are not really looking!
RING 843-955, NOW
M.R.E.I.N.Z

Ward & Grey's advertising works.

COMMERCIAL PROPERTY Auckland City

Factory 2505 m2 office/amenities blk 537 m2 on freehold plus large yard mostly on lease. Have party interested in leasing part of factory presently available in non-trading company with substantial losses in current year and a very favourable mortgage.

Replies to . . .

C.P.O. Box 274
Auckland

Let us cater for your unexpected visitors.

COMPUTA-GUARD ALARM MONITORING



Please send me further details on your Computa-Guard Alarm Monitoring Service.

Name

Company

Address

Return to Armoured Freightways Ltd
P.O. Box 9585, Auckland.

CNG finds favour with Energy Minister

by Rae Mazengarb

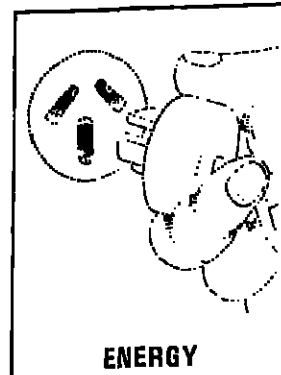
MAJOR Government decisions on the use of Maui gas alternatives to expensive imported fuels are expected next month. But already it is clear that now Energy Minister Bill Birch is sold on the idea of using compressed natural gas (CNG) in the Government vehicle fleet.

An optimistic report of a compressed natural gas (CNG) specialist is said to be circulating among Government officials, and is expected to be released soon by the New Zealand Energy Research and Development Committee.

Early indications are that CNG could be used to fuel several hundred thousand vehicles now in use, close to existing reticulated supply.

Suggesting this possibility last week, Birch said: "A better than 40 per cent reduction in present petrol use could be achieved by such a development with a correspondingly large saving of overseas funds."

But use of CNG is not without its critics. Those with experience in LPG point to the limited vehicle range per tank of CNG compared with that of LPG. They say the life of an equivalent 3.5 gallon tank is at



ENERGY

the most 200 kms, whereas the same sized tank of LPG will last double that distance.

But energy specialists agree that urgent Government attention to alternative fuel possibilities is necessary.

At last week's Gas Industry Conference in Wanganui, Birch outlined to some 200 delegates the gravity of the world fuel supply situation.

referred to the "brooding rearmament" of the South Island Gas Industry.

"They are the have-nots. They do not have natural gas," he said.

The Gas Association's strenuous efforts to interest the Government in investigating the reticulation of natural gas to the South Island, had been met by a negative response.

"Surely there is a pressing need to do this, especially as the projected demand for Maui gas for electricity generation has fallen away," Whitney said.

Whitney, questioned later, said that members had had "innumerable discussions" with former Energy Minister Gair over a period of some three years on the need to look seriously at the possibility of a Cook Strait cable, but the Government had taken no action.

He announced that the association itself would conduct its own "broad brush" study on the feasibility of pipelining Maui gas to the South Island. The terms of reference for the exercise included the merits of the scheme in the New Zealand national case.

It is understood about half the North Island gas undertakings support the study. In his address to the conference, Energy Minister Birch referred to the study.

"We have of course done some arithmetic of our own, but I would be most interested to assess your own study in completion," Birch said.

"I accept the need to overcome as far as practicable the imbalance resulting from the present absence of natural gas in the South Island."

Whitney said he expected the study to be completed within six months, when it would be presented to the Minister.

Asked the possible cost of a pipeline to the South Island, he said \$150 million would be a rough figure.

Critics are quick to point out that the \$150 million gas cable will be carrying gas to a small market; that the current industrial and domestic market in the south is equivalent to just half of that of the Hutt Valley Electric Power and Gas Board. They add that this is without taking account of the tremendous engineering difficulties of getting the pipeline through unstable country in the North East of the South Island.

But Whitney argues that Maui gas should be viewed as a national resource — similar to the attitudes taken with hydroelectricity.

"No-one would think of denying electricity supplies to a community because such a supply was uneconomic when costed in isolation to the electricity system as a whole," he told the conference.

petroleum products — to declare a force majeure on its term contracts, of the order of 45 per cent.

"The effect of the force majeure on our stocks is that we can no longer be certain that all those companies suffering forced reductions will be able to supply at or near OPEC prices during the second quarter," Birch said.

Some companies might be forced on to the "spot" markets where prices are as much as 50 per cent above OPEC prices. The effect of paying such high prices, Birch said, would be damaging to our balance of payments and to our fight against inflation.

About 15 per cent of our total oil imports were at risk in the second quarter, and hence the Government would need to make an early decision on demand restraint measures.

Against this background Birch emphasised the need to grasp "every practicable opportunity for switching from dependence on oil".

South Island industrialists



BILL BIRCH... sold on CNG.

and gas men — who have been lobbying for adequate gas supplies — have been quick to grasp the importance of CNG to their case for a Cook Strait submarine gas line.

They say CNG could be taken at any point along the line for automotive use, while the raw feedstock can be used to develop a highly economic industrial and domestic

market.

Already some four companies and local authority gas distributors are operating commercial vehicles and cars on CNG. One taxi company is in the process of converting its fleet.

Private sector interests are so great that two overseas trips are planned to evaluate Italian and American technology in vehicle conversion kits which currently range in price from \$800 to \$1200.

A big factor in favour of CNG for transport use lies in the fact that more Maui gas would be used, which in turn would mean a greater production of condensate for the Marsden refinery.

But like most substitute fuels, CNG raises questions of distribution, modification to the motor vehicle, and cost versus benefits to the motorist and the nation, said Birch.

A feasibility study into the wholesale conversion of 70,000 vehicles has been completed and is in Government hands.

Budgetary blunder: beware the boffins

by Spiro Zavos

BEFORE the last Federal Budget in Australia, the Treasury boffins came up to Prime Minister Malcolm Fraser with a good idea: why not reduce the amount the ordinary man in the street paid for Medibank and put additional impost on liquors coming into the country?

The beauty of the idea was at the plus and the minus, according to Treasury figures, would just about even out, with an additional advantage: the Medibank payment was a direct cost within the cost-of-living index; the liquor impost was not.

Thus, if the scheme were successful, the Government would not lose any revenue but the all-important inflation figure would have a deflationary factor put into it.

It was widely rumoured in Australia that Fraser was going around his traps (telling people that because of the budgetary sleight of hand the December index could be below 2 per cent.

The figure was in fact 2.3 per cent. This was much higher than anticipated, and made a mockery of the Budget prediction of a yearly inflation rate of around 5 per cent.

What went wrong? The Treasury boffins got their sums wrong. Instead of the manoeuvre being a deflationary tactic, it actually created its own inflationary momentum.

Without the trickery, the inflation rate might well have been the 2 per cent Fraser wanted to achieve.

What this shows is that boffinry is something to be careful of, even when it comes dressed up looking ever so presentable.

The level of understanding of economics is high in Australia. All the major newspapers have their economics writers, as opposed to a financial writer. Thus, papers like The Age and The Sydney Morning Herald are able, through their economics experts, to work out for their readers what the latest figures really mean and why a certain result was



THE AUSTRALIANS

reached.

After the December figure was announced, the experts were able to unscramble it. They argued that it was not as bad as it looked, and that if the economy were left alone by the boffins it could recover to something near to a boom. But this will not take place the boom, not the no-hands from the boffins — that might never come) for a couple of years.

The most encouraging sign of revitalisation of the economy came the day after the cost-of-living index was

announced. This was the index which showed that retail selling was booming. So much of Australia's economy revolves around retail sales that it was hardly surprising that Fraser seized upon the news to predict that the light was definitely there at the end of the tunnel.

It is an unlikely light as far as half a million Australians are concerned. These are the people currently on the unemployed lists. Their chances of getting jobs are minimal, with hardly a job to be had. Moreover, the figure does not include teenagers who would have left school but have not because they could not find a job. A photo in a Sunday paper showed a class in one of the Sydney schools in the suburbs with their hands in the air. They had been asked by the journalist to raise their hands if they had gone back to school only because they couldn't get a job.

One has to feel sorry for these young Australians who face such a bleak future. Sorry

and frightened, for as Carl Sandburg once said, "the slums will have their revenge". An affluent country like Australia cannot expect this generation of young people to submit tamely to a futureless future.

The Fraser argument is that once the inflation rate is down then the prime condition for a healthy society will be put in place. He looks to a period in the 1980s that repeats the Menzies era with low inflation rates and low unemployment rates.

But this is a vision or a mirage for the future. What of the present? Needless to say, there have been any number of suggestions from experts and not-so-experts. One suggestion that has merited some attention came from a former economic adviser to the Commonwealth Bank, K

Shiels. Shiels proposes a tax on "computers and other machines that create unemployment". He would allow exemption from the tax for all machines which could be shown to increase production and employment, so he is not a total modern-day Luddite.

The idea of taxing machines rather than people (like the payroll tax) has attracted some favourable comment. But the most likely reaction of Australian businessmen to such a tax would be to send their computer processing off-shore, perhaps to New Zealand or Singapore. Then, too, Australia would be left behind in the race to automate, something its already over-protected manufacturing sector could ill-afford to let happen.

It was Fraser himself who once put it best: "Life was not meant to be easy."

Gas men air cable grievance

TWO hundred gas men cheered out-going Gas Association of New Zealand president Bill Whitney at their conference last week when he called for a united front in moves to reticulate Maui gas to the South Island.

Whitney said local authorities and manufacturers in both Islands had contributed to a feasibility study which would look at all aspects of the long-term economic advantages of South Island reticulation.

Speaking of the South Island as "the disadvantaged area of New Zealand", Whitney

referred to the "brooding rearmament" of the South Island Gas Industry.

"They are the have-nots. They do not have natural gas," he said.

The Gas Association's strenuous efforts to interest the Government in investigating the reticulation of natural gas to the South Island, had been met by a negative response.

"Surely there is a pressing need to do this, especially as the projected demand for Maui gas for electricity generation has fallen away," Whitney said.

Whitney, questioned later, said that members had had "innumerable discussions" with former Energy Minister Gair over a period of some three years on the need to look seriously at the possibility of a Cook Strait cable, but the Government had taken no action.

He announced that the association itself would conduct its own "broad brush" study on the feasibility of pipelining Maui gas to the South Island. The terms of reference for the exercise included the merits of the scheme in the New Zealand national case.

It is understood about half the North Island gas undertakings support the study. In his address to the conference, Energy Minister Birch referred to the study.

"We have of course done some arithmetic of our own, but I would be most interested to assess your own study in completion," Birch said.

"I accept the need to overcome as far as practicable the imbalance resulting from the present absence of natural gas in the South Island."

Whitney said he expected the study to be completed within six months, when it would be presented to the Minister.

Asked the possible cost of a pipeline to the South Island, he said \$150 million would be a rough figure.

Critics are quick to point out that the \$150 million gas cable will be carrying gas to a small market; that the current industrial and domestic market in the south is equivalent to just half of that of the Hutt Valley Electric Power and Gas Board. They add that this is without taking account of the tremendous engineering difficulties of getting the pipeline through unstable country in the North East of the South Island.

But Whitney argues that Maui gas should be viewed as a national resource — similar to the attitudes taken with hydroelectricity.

"No-one would think of denying electricity supplies to a community because such a supply was uneconomic when costed in isolation to the electricity system as a whole," he told the conference.

Living with Wine



McWilliam's introduce Lovedale — an outstanding new white wine... with Stel-vin — a remarkably convenient, new bottle seal.

First, the wine:

Lovedale is a unique wine. Made from Riesling Sylvaner grapes, it has the crisp, distinct character typical of wines in this popular category. But in Lovedale, the flavour is subtly enhanced by carefully controlled back-blending with pure grape juice. The result is a full, fruity white wine. A Riesling Moselle style reminiscent of the famous German Riesling Wines.

Lovedale is a white wine for all occasions. A wine to serve with almost any meal, or on its own. A wine that's perfect for summertime entertaining, and every other season of the year as well.

Now... meet Stel-vin.

Stel-vin is a revolutionary new form of closure being used for the first time in New Zealand on McWilliam's Lovedale Riesling Moselle. Developed in France, this remarkable new seal is now accepted in most wine growing countries throughout the world.

Stel-vin closures give full protection to Lovedale's quality, allowing bottles to be safely stored upright. As an added convenience, Stel-vin closures are opened without a corkscrew and can be resealed — if there's still some left in the bottle!

Look for Lovedale with its unique Stel-vin seal — at your usual wine reseller soon. If you'd like to know more about wine, write now for a free copy of McWilliam's impressive new Wine Guide, to:

"Living with Wine", McWilliam's Wines, P.O. Box 1283, Auckland.

The World's best known publisher chose Whitcoulls to produce their most ambitious New Zealand book for one reason

THE OXFORD BOOK OF NEW ZEALAND PLANTS



Oxford University Press is probably the oldest and the most respected publisher in the world. The Press was founded 500 years ago. Over the centuries it has published authoritative books for use wherever knowledge is sought.

To mark its quinqucentenary the Oxford University Press in New Zealand is publishing several unique New Zealand books. One of the most important is The Oxford Book of New Zealand Plants, the product of ten years' work by the authors, which required from Whitcoulls the highest standards of typography, colour reproduction, printing and binding.

That's why Whitcoulls were selected as printer by the Press. With over 100 years of printing experience behind them Whitcoulls have the knowledge and skill to reproduce material to the very highest standard.

The Oxford Book of New Zealand Plants is an extraordinary example of Whitcoulls' work. They were entrusted with the task of reproducing Bruce Irwin's original artwork with painstaking accuracy while retaining its charm and delicacy.

Anything short of technical perfection would have reduced its value as a guide to our New Zealand plants.

The typesetting for Doctor Lucy Moore's text, intended for both professional and amateur botanists, had to be clear, easy to read and scrupulously accurate. Whitcoulls' care in production has resulted in a truly engaging book, a book that will endure. It faithfully interprets the publisher's and authors' desire for an informative work that will delight and instruct the reader.

Other distinctively New Zealand books from Oxford University Press have been entrusted to the experienced hands of Whitcoulls for production.

Two notable ones are: The Urewera Notebook by Katherine Mansfield, a previously unpublished diary of a New



Zealand bush journey by this internationally famous author and Looking Back: a Photographic History of New Zealand.

And the results will be the same. Distinguished.

Which is the reason why the world's oldest publisher chose Whitcoulls.



Whitcoulls Limited



WELLINGTON CITY COUNCIL \$600,000 LOAN

IT PAYS TO SHARE IN THE PROGRESS OF YOUR CITY AND IT'S A SECURE SATISFYING INVESTMENT!

Contact any Sharebroker, Trading or Trustee Savings Bank or the Underwriters, Renouf & Co. Box 3848, Wellington.

RUSH COUPON FOR PROSPECTUS!



Treasurer, Wellington City Council, Box 2199, Wellington. Please rush me Prospectus for the current Wellington City loan.

Name _____ Address _____

SECURITY FROM AN AUTHORISED TRUSTEE INVESTMENT 37522

"Hello Pete, Ruby, Bruce, Anne, Roy, Les, Brian, Sir, and Graham."

Economics Correspondent

THE Government may have reduced taxes last October, but it seems unlikely that its revenue will decline. What the government isn't taking in, it is taking by increasing the charges of public services. Taxpayers' pocketbooks will also feel the effect of the Government's winning policy to reduce subsidies.

Last week, for example, bread prices rose by two cents a 750-gram loaf. Three days ago, bread prices rose one cent.

These price increases, according to the Department of Trade and Industry, are the result of a \$5 a tonne rise in the price of flour. Instead of absorbing this cost increase by a subsidy, the Government has allowed it to be passed on to the consumer in the form of price increases on bread.

Of course, the prices of other goods including flour as an ingredient will also rise. While the Labour Government was in office, bread was subsidised. Around \$5 million a year was spent in both 1974-75 and 1975-76 to subsidise bread.

The social welfare-conscious Labour Government also paid price subsidies to eggs, fat, milk, sugar, wool, coal and gas. It was the stated intention of these subsidies to limit inflation in line and to

make it easier for low income households to obtain essential foodstuffs.

Now the main subsidy which remains is for milk. In 1977-78, nearly \$42 million went to stabilise the price of milk. And the milk price still rose.

This year, the milk price of 10 cents a pint is substantially above the price of 4 cents charged between 1935 (when the subsidy was introduced by the first Labour Government) and 1976 when the price of milk was first increased by this Government. Even at 10 cents a pint, it is likely that the Government will spend more than \$50 million this year subsidising the milk price. Or to put it another way, the Government is saving every man, woman and child in New Zealand nearly \$17 a year on the price of milk.

Butter and sugar prices are also subsidised.

More than \$8 million was spent to subsidise butter in 1977-78. This amount is the difference between the local price of butter and what the producers could get selling the butter overseas and is paid into the Butter Equalisation Account.

Because of price fluctuations overseas, this account is intended to be self-balancing, but in recent years it has not been.

The subsidy towards liquidation of the overdraft in the Sugar Price Stabilisation Account was \$4.5 million.

A subsidy is an expenditure by Government designed to make the price of a good or service less than the market price. Subsidies may take the form of either direct payments to producers and vendors or may be the differential between the buying and selling prices of government trading organisations.

Often a subsidy is intended to be applied as an instrument of social welfare policy to influence the choice between certain goods. For example, it is hoped that by keeping the price of milk down, low-income households will choose to consume milk rather than a more expensive item like beer. Subsidies can be contrasted with transfer payments (such as social security benefits) which are intended to provide a household with extra purchasing power.

With a transfer payment, a household can make its own choices about where the money is spent.

In New Zealand, two entirely different "subsidies" are often grouped together because they are both sometimes introduced as stabilisation measures intended to smooth fluctuations in prices or incomes. Subsidies on essential commodities and subsidies to Government departments so that services can be offered at a below cost price act to stabilise prices.

Subsidies to farmers are really intended to help stabilise farm incomes and to encourage farm production. The overall cost of direct subsidies on essential com-



THE ECONOMY

CHANGING OUR COMPUTER PROGRAMME?

Situation
Your computer programme? It may require change because your markets or your procedures change. Your times increase and the item becomes strained.

Problem
Changing programmes is the aim of every programmer's. Dissatisfaction leads to delays and errors.

Documentation — A vital solution
After documented programmes are more quickly and more easily changed. Commercial Computing can help people to document their systems.

Expert Staff
Commercial Computing have expert programmers available now to bring your programmes up to date. Use our programmers could use your own staff for development of new systems.

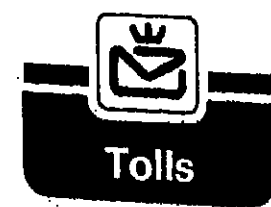
Charges
Hourly rate, a fixed quote or a monthly fee on a per cent basis.

Priority
Set the priority for each job and we react accordingly.

For further information
COMMERCIAL COMPUTING LIMITED
40 HOBSON STREET
BOX 11-088
WELLINGTON
TELEPHONE 724-011

Conference Calls.

Want to arrange a Conference at short notice? All you need to do is provide Tolls with a list of those you wish to "attend" up to a quarter of an hour before you want your "Conference" to begin. Your toll operator can connect you with up to nine people anywhere in New Zealand all at once by Conference Call.



Keeping You In Touch
With Up To Nine Places At
One Time.

Lower subsidies to help reduce expenditure?

modities was around \$55 million in 1977-78. New Zealand's 45,000 farmers received \$87 million in various agriculture subsidies.

This year, direct subsidies on essential commodities are expected to reach more than \$85 million. Farmers will receive more than \$168 million, or a little less than \$4000 each.

If the Government is looking for ways to cut back its expenditure, reducing subsidies may be a good idea. Two arguments against reducing subsidies are usually given. One is that by keeping down prices of essential foodstuffs, the Government protects the household from the effects of inflation.

The second argument is that subsidies are a way of insuring that low income families can obtain essential goods.

Subsidised items are included in the consumers' price index. A direct subsidy will reduce the level of prices recorded in the surveys which go into the calculation of the monthly index. But the effect on the index of milk, butter,

flour and sugar subsidies is probably small.

Items such as meat, fruit and vegetables have more major effect on the index. So, at least for the method used to measure inflation, the removal of direct subsidies would not greatly increase the inflation rate.

Low-income families benefit from subsidies like any other family. Subsidies on essential items are allocated universally without any discrimination. The benefit of the subsidy is available to everyone, no matter what income they earn or wealth they hold.

But it is the higher-income families which get the greatest direct benefit, because they can afford to spend more to buy that extra pint of milk or 500 grams of butter. The Household Sample Survey of consumer expenditure shows that the amount of subsidised products consumed increases with the level of household income.

If the Government really wants to benefit low income

families, it could probably do so more efficiently and at less cost. By increasing transfer payments or making coupons available to those below a certain income threshold (defined by policy makers to be the line between poverty and sustenance incomes) the Government could reduce the cost of direct food subsidies and at the same time make it easier for those defined to be needy to obtain necessities.

Although it makes sense in distributional terms to provide subsidies only to those who need them, the producer must also be considered.

If milk prices were left free to rise to their natural market level, chances are that the demand for milk would fall. At 10 cents a pint, the average consumer probably never thinks about the cost of that extra pint of milk for cooking, or for the dog. He might if milk went up to 30 cents a pint or more.

If demand for subsidised items were to fall, both the distributors and the producers

of those items could be hurt. In the case of some items such as butter, the stock of unsold product would grow.

With the Dairy Board's already large stocks of dairy products, the Government may be reluctant to completely do away with subsidies on milk and butter. But its interest here is not to benefit low income families or reduce inflation. Its interest is to keep the price at a level where domestic demand for milk and butter remains about the same.

Generally, the Government's policy to reduce its expenditure by gradually reducing subsidies is a good one. But, as with increases in user charges for services such as energy, when the Government is reducing subsidies it is hurting the taxpayer's pocketbook.

When the Government reduced taxes last October before the election, we were not told that we would end up paying for Government in some other way. But is anyone really surprised?

earn up to

24.3%

per annum
(this rate is for a 5 1/2 year investment)

National Mutual

'MULTIPLE MONEY' policies

INVEST BEFORE MARCH 31 FOR TAX SAVINGS

A 'Multiple Money' limited term policy offers you security, an outstanding earning rate plus life insurance cover.

HOW IT WORKS

- You pay only one premium. This may be claimed against your life insurance exemption for income tax purposes.
- If you are living at the maturity date of the policy you receive the maturity benefit free of tax.
- The combination of interest return on the policy and income tax exemption can give you yields of up to 24.3% p.a.
- Policy terms vary (between 5 1/2 and 12 years).
- If you die during the term of the policy your estate receives the maturity benefit.

THERE ARE TWO TYPES OF CONTRACT:

'PLUS A THIRD' POLICY

This policy is designed for people over 55 years of age but under 70. The term is only 5 1/2 years and the policy returns your premium plus one third on maturity of the policy through death or survival.

Example
Investment of single premium of \$750 provides maturity benefit of \$1,000 payable at end of 5 1/2 years or on prior death.

If the premium is deductible and your tax is	the tax-free yield is
60c in \$	24.3%
55c in \$	21.8%
38c in \$	14.9%

'DOUBLE MONEY' POLICY

This policy is available to all people under age 60, and is for a term of 10 1/2 to 12 years. It provides for a death benefit of double the amount of the single premium if you die before the policy expires, and also, except in one event, will double your money if you are living at the maturity of the policy.

Example
Investment of single premium of \$1,000 provides maturity benefit of \$2,000 payable at end of 10 1/2 years to 12 years (as set out below) or on prior death.

If your age at entry is	then the term of the policy will be	and if the premium is deductible and your tax rate is	the tax-free yield will be
Under 40	10 1/2 years	60c in the \$	16.5%
40-44	11 years	55c in the \$	14.7%
45-49	12 years	50c in the \$	14.4%

The one event mentioned above, is a change in the basis of income tax payable by life insurance companies in New Zealand. At present, this income tax is assessed on the amount of the surplus distributed to policyholders. However, if, during the life of the policy, income tax became payable by life insurance companies on the basis of investment income, National Mutual's actuary would have to revise the maturity benefit of the policy on an equitable basis. At the present time the National Mutual has no reason to believe that such a change will be made by Government.

INVEST NOW

Take advantage of this excellent investment opportunity before 31 March. It offers a high rate of growth, complete security of investment and life insurance cover all in one attractive package. The minimum single premium is \$500.

The Manager for New Zealand National Mutual Life Association
PO Box 1692, Wellington

I would like to receive full information about Multiple Money policies.

Name

Address

Phone

Date of Birth

National Mutual
Life — If that isn't worth insuring, what is?

Fast-food formula: time for a taste of class

by Belinda Gillespie

NEW ZEALANDERS spend nearly \$80 million a year on branded fast foods, and are increasing that amount by about 10 per cent a year. Our spending rate of 15 cents in the food dollar on fast foods will reach 35 cents in five years, and we will soon be eating one in three meals away from the home.

While trends in fast foods are anyone's guess, there are signs that people are going for a little more class in where they eat, if not what they eat. The big food chains are building stores which project a restaurant rather than a takeout image, and are adding sit-down facilities where they are now lacking. Thus greasy wrappings in the car and chicken bones in front of TV is giving way to camaraderie among the plastic flowers and child-proof installations offered by the "big three" — McDonald's, Kentucky Fried Chicken and Pizza Hut?

There are big economic advantages of a system of food

delivery where a product is master-minded from raw materials almost through to first bite. The principle is self-evident to economists of whatever political colour. In the drive towards modernisation, the Chinese Government is urging people to eat at the takeout, and the ritual hours traditionally spent in the preparation and eating of food are being regarded as an unpatriotic waste of time. A fast-food meal takes 10 to 15 minutes to eat compared with an hour for a meal at a restaurant — so, with a remarkable facility for lateral thinking, the Chinese have consulted the company that laid the golden egg for Ray Kroc, high-school drop-out — McDonald's, the capitalist dream come true.

People can eat only so much fast food, and there are signs that the market may be flattening out in the United States and Australia. Even in New Zealand, where fast food is still something of a novelty, some sectors of the small market could be near saturation.

Wall Street is reported to be keeping an eagle eye on restaurant stock, threatened by rising costs and narrowing profit margins. Some segments of the fast food market are becoming overbuilt as the chains proliferate and competition gets tougher. There are optimists, however, who declare that the food business is "still a growth industry" compared with other retail businesses and United States industry in general. Overall demand is still growing and the industry is in "the early stages of consolidation".

Other analysts describe problems of maturity; chains have up till now made typical 25 per cent quarterly gains in sales. But as they achieve equal levels of operation and marketing sophistication, such gains will be a thing of the past.

As firms can no longer lean on an unblemished record of ever-growing sales and profits, the name of the game is change in operation or in marketing strategy. The

greatest potential is seen in the family restaurant market — a segment with more room to grow than the "heavily saturated burger segment". These restaurants have the advantage of wider menus and greater flexibility to juggle the menu mix to cope with spiralling food costs and pressures on margins. Chains which rely heavily on one food item are currently suffering a considerable squeeze on margins, particularly the fast-food hamburger segment. Similarly, the chicken sector is under a question-mark — fast-food chicken sales have been found to be more dependent on commodity pricing than any other sector.

From another point of view, "show me another industry where a small company can come out of nowhere to challenge the giants", said an industry spokesman, countering fears of market saturation. His example was Wendy's, a hamburger chain — which has come from nothing to join the top 20 within a few years, achieving a

growth rate of more than 150 per cent (compared with McDonald's 21 per cent in 1975-76).

An industry which depends more for "the bundle of services" it offers than the quality of food is particularly vulnerable to fashion and customer whims. Newcomers have the advantage; to change is now seen as crucial to a food company's success. As McDonald's earnings for the third quarter of 1978 dropped by 20 per cent as a result of the company's efforts to absorb increased costs and protect its market share, observers questioned whether inflexibility was the cause of the problems.

On the Australian scene, the so-called "big three" take up only 8 per cent of the market, though heavy promotion suggests a much bigger slice of the cake. By 1981, consumers are expected to spend \$3150 million on fast foods, or \$13.50 of the weekly housekeeping budget, from \$850 million in 1971, or \$3.50 a week.

Despite the predictions of inexorable growth, in Australia McDonald's and KFC are reported to be hustling for shares in a market which is also flooded with Chinese takeaways. Last year McDonald's, a relative newcomer, was still in the red, and reported to have lost sales since it introduced the variation of a hamburger with salad.

KFC across the Tasman is said to be under pressure from McDonald's, and to have modified its system to meet the challenge. Changes announced in January included extending the range of food and providing more restaurant facilities; the latter is the factor which has given the McDonald's group a distinct advantage. The news follows a 20 per cent earnings slide to the year May 31 1978, when net profit fell to \$2.1 million from \$2.7 million. The Australian changes parallel similar activity in the United States, where, according to the chairman of Heublein Inc., "the chicken turnaround has begun" — after five years of flat KFC earnings, followed by a profit plunge. KFC is spending \$50 million to refurbish its now dilapidated candy striped stores, and is

moving into a more decor with greater space.

Rob Vincent, New Zealand manager of KFC, says major differences between those in the United States and Australia. Chief of the New Zealand store company-owned and operated elsewhere standards can slip into a poor operator, glossy image becomes greasy spoon.

According to annual report, KFC is still performing several new store developments.

The corporate setting is and an open kitchen with overseas turnover up 16 per cent a year.

profit performance is some contraction in spending and the other fast-food outlets.

Vincent claims his company is in excellent shape, thanks to a strong management team, good marketing and staff training.

A leader of one of the major companies predicts that the capital and marketing experts of the "big three" — to which could be added Lion's chain of Cobb and Co. restaurants — will eventually squeeze out their New Zealand imitators, though there will always be room for the individual operator, who often is complementary to, and flourishes alongside, a store owned by one of the giants.

Tom Brow, manager of the Wellington-based company Homestead Chicken, says 5½ years of successful operations, 25 per cent of the fast-food chicken market, and a multi-million dollar-a-year turnover, have proved that "number two lives". While admitting to being in direct competition with KFC he says he believes that there is still room on the market for everyone. With a smallish chain of six stores and two more being built this year, his company is also in a phase of consolidation and "safe, discreet buying".

Homestead is franchised from a Sydney company which started as a family business 10 years ago, and is now a chain of eight stores. The turnover here is bigger per store than in Australia — and bigger also than that of KFC stores, claims Brow. Where Kentucky Fried has opened in close competition with Homestead, as it did with its central Wellington and Porirua stores, there has been an unexpected small drop in sales; in Avondale, Auckland, Homestead has a store less than a mile away from its rival, and turnover is rising.

Like the bigger chains, Homestead spends most of its promotion budget in projecting on television a "homely meal outside the home" image. The product appeals because of its quality, cost, and status as "good family cooking". Brow claims greater success for his product because his basic mixture of spices and condiments is adapted to the Antipodean, not the American, palate. The relatively small size of the chain, with all stores company-operated, means that the company can remain more adaptable and responsive to change in tastes than the big conglomerates which impose their ready-made American formula on the New Zealand public. The menu, which includes such unusual items as chicken livers, sweetbreads and battered mushrooms, has proved that the public can accept something outside the usual fast-food formula.

While looking at plans for

THE BIG THREE . . . McDonald's, Kentucky Fried Chicken, Pizza Hut.

training managers and sent seven of them to Australia. At store level, staff are trained in various jobs and get paid extra if they pass examinations.

Though admitting that the economic climate has had some effect on operations, Vincent claims that his company is in excellent shape, thanks to a strong management team, good marketing and staff training.

A leader of one of the major companies predicts that the capital and marketing experts of the "big three" — to which could be added Lion's chain of Cobb and Co. restaurants — will eventually squeeze out their New Zealand imitators, though there will always be room for the individual operator, who often is complementary to, and flourishes alongside, a store owned by one of the giants.

Tom Brow, manager of the Wellington-based company Homestead Chicken, says 5½ years of successful operations, 25 per cent of the fast-food chicken market, and a multi-million dollar-a-year turnover, have proved that "number two lives". While admitting to being in direct competition with KFC he says he believes that there is still room on the market for everyone. With a smallish chain of six stores and two more being built this year, his company is also in a phase of consolidation and "safe, discreet buying".

Homestead is franchised from a Sydney company which started as a family business 10 years ago, and is now a chain of eight stores. The turnover here is bigger per store than in Australia — and bigger also than that of KFC stores, claims Brow. Where Kentucky Fried has opened in close competition with Homestead, as it did with its central Wellington and Porirua stores, there has been an unexpected small drop in sales; in Avondale, Auckland, Homestead has a store less than a mile away from its rival, and turnover is rising.

Like the bigger chains, Homestead spends most of its promotion budget in projecting on television a "homely meal outside the home" image. The product appeals because of its quality, cost, and status as "good family cooking". Brow claims greater success for his product because his basic mixture of spices and condiments is adapted to the Antipodean, not the American, palate. The relatively small size of the chain, with all stores company-operated, means that the company can remain more adaptable and responsive to change in tastes than the big conglomerates which impose their ready-made American formula on the New Zealand public. The menu, which includes such unusual items as chicken livers, sweetbreads and battered mushrooms, has proved that the public can accept something outside the usual fast-food formula.

While looking at plans for

seating 40 in the Auckland store, Brow is cautious about rushing into the restaurant concept, with the higher capital cost and need for high margins. The present small store is of a basic, inexpensive design, with no extra staff required to service tables and clean up.

Lion's Cobb and Co. restaurants claim another segment of the market altogether, though one that probably overlaps (at the edges) with the straight takeout. The number has grown to 14 since opening five years ago at the South Pacific in Auckland, and Lion expects to open several more each year for the next five years.

The company is "delighted" with the success of its formula, which Des Fitzgerald, publicity affairs manager, says has worked in every location. When Lion announced its planned Cobb and Co. in Hamilton's "Golden Mile," local predictions were that the venture would flop in an area renowned for its conservative habits. But, in line with the company's own market research if not local opinion, the restaurant proved an unprecedented success.

Cobb and Co. appeals to young family groups in providing a venue with a "sense of occasion" at a reasonable price. Major parts of the recipe, says Fitzgerald, are the facts that they welcome children, and are licensed — a winning combination in a country where only high-priced restaurants which discourage children are fully licensed.

Another ingredient is a menu wide enough to be attractive and flexible, but not so wide that it becomes expensive. Fitzgerald says Lion has no real competitors in this area, and believes that the market is still wide open. Pizza Hut, although licensed, has its own recipe for success, and is patronised by clients with a definite preference for the two main menu items offered.

Saturation, Fitzgerald says, would be "one in each small town". But the slices can take more — a second Cobb and Co. was opened in Christchurch with some reservations, but not with such success that a third is envisaged. Big Tex, with 11 retail outlets, is another "medium-sized" chain, whose general manager, Tom Johnson, says has proved its viability against the big competitors. New Zealand's wide geographical spread and small population base, he believes, favour the small operator. Big Tex opened at Foxton in 1964, well before the invasion of the overseas franchisees. Ultimately, restaurant more than a takeout, Big Tex has developed a "between" package all its own.

Tom Johnson, in his field — the big operator, in his field — with the financial resources and key locations is already established; it can count on a good return on investment.

capital. Big Tex has two licensed outlets in hotels, and is trying for beer licences at other outlets.

Big Tex has a subsidiary company, Country Choice Products, which produces salads, chips, burger patties and so on for sale at its own outlets. It is also moving into the delicatessens of the big cooperatives.

In the short-term, says Johnson, the company will be expanding mainly in that direction, while "stabilising" the restaurant size. Although a new outlet is opening soon at Palmerston North, one has been sold off in Rotorua as "not being in line with long-term objectives". These, says Johnson, are to get a good return on invested capital, expand the market, and promote the image of a family

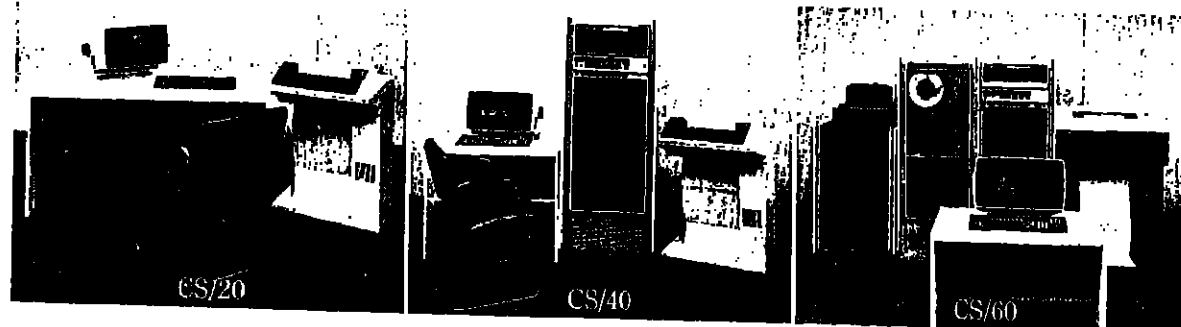
dining-room which "won't cost an arm and a leg". Staff may be the biggest problem for the "medium" operator who doesn't have the training resources available to the big conglomerates. New Zealanders aren't service-oriented — they neither expect nor give good service. Turnover is high. One answer is to franchise outlets, a move which is being made both by McDonald's and Big Tex. With a vested interest, it is claimed, the franchiser is on the spot to get maximum staff control. At mid-1978, only 28 per cent of McDonald's American outlets were company operated, and recent advertisements indicate that they are moving into franchising here.

Other observers claim that franchising creates bigger than ever staff problems, particularly in a small market, where one bad operator can mess up a whole company's image. Putting in an owner-operator, however, cuts margins and can add an extra \$10,000 a year to profit; franchising, therefore, could be taken as a sign of financial strain on the part of the companies concerned.

It seems clear that the restaurant-oriented facilities have benefited from a "trading-down" effect, and have probably siphoned off some of the high-class restaurant trade, as well as creating a new market with families dining out. Reports from overseas show that fast-food operators are increasingly looking to restaurant-style eating to keep up their profits. This is the area where it is most possible to meet the criteria said to be necessary to keep Wall Street happy with restaurant stock: operations "must be able to change, compete aggressively, control pressures on margins, maintain their market share, successfully put through price hikes, and expand their hours and types of operation".

Even where dining facilities are offered, single food specialists like McDonald's, KFC and George Pile Family Restaurants (with an \$80,000 loss for the six months up to September last year) may suffer at the hands of more sophisticated competitors. Other elements, such as a more flexible menu and a family licence, offered by the successful Cobb and Co. chain, combined with the fast-food concept, could prove to be the winning mix of the future.

NO SINGLE BUSINESS COMPUTER HAS ALL THE ANSWERS.



NOW, WHAT'S YOUR PROBLEM.

One of Data General's family of new small business computers can answer your problems. They're designed to quickly and easily process your billings, accounts payable, accounts receivable, sales analysis, purchase analysis, inventory control and payroll with management information on demand.

We began with the introduction of CS/40, a mid-range business system which accommodates up to nine operators. Now it's joined by the CS/20, an entry level, stand-alone sys-

tem and the CS/60, a higher capacity business system with up to seventeen clustered or dispersed terminals.

They're simple to operate and fully capable of expanding right along with your company. They all use the same Interactive COBOL software, so your investment in software is protected. And, if you need help with your applications, there is a group of experienced Business System Suppliers to assist you.

For more details on how to solve your business prob-

lems, fill out the coupon and we'll introduce you to the family.

My immediate problem is that I need more information about Data General's CS Family. Send the brochure.

I'm an: ☐ End User ☐ Business System Supplier ☐ I'm too busy to wait for brochures; have someone contact me.

Name _____
Title _____
Company _____
Tel. No. _____
Address _____
City _____
State _____
Mail to: Data General New Zealand Limited
Williams City Centre, Pinner Lane, Wellington.

Subscribe to National Business Review now... and save 25 per cent

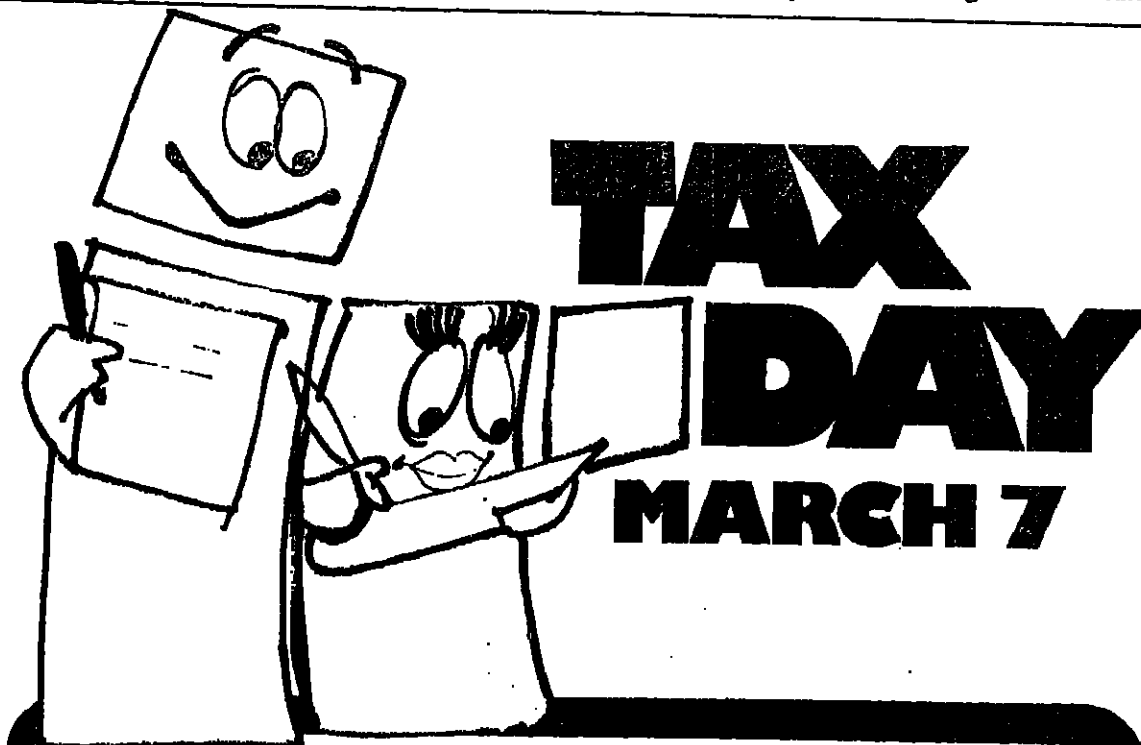
When you subscribe to *National Business Review*, you receive 48 issues of New Zealand's leading and liveliest business publication (news stand price \$19.20), *NBR Outlook*, New Zealand's only comprehensive annual predictive analysis of political, economic and business trends (\$1.00).

Subscribe now and you save a very valuable 25 per cent on the *National Business Review/NBR Outlook* cover price of \$20.20.

Cash price \$20.20

... subscription price \$15.15

To take advantage of the NBR subscription offer, simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

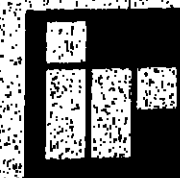


This is the last day for payment without late payment penalty of

- Balance of 1978 tax
 - Where a 1978 return has been filed and a statement received
 - Where a 1978 return has been filed but NO statement received, payment of income tax and A.C. levy should still be made
 - Where a 1978 return has NOT been filed, payment of the estimated amount of income tax and A.C. levy should be made
- Instalment of provisional tax (provisional taxpayers)
- 1/14th 1979 deferred income tax (ex subsisting companies only)

IMPORTANT: If you have a balance date other than 31 March your payment dates may be different.

You may pay your tax at any Tax or Post Office. Remember to take your statement of account. If you are not sure what to pay, enquire at your local Tax Office.



INLAND REVENUE DEPARTMENT

Data General

Data General New Zealand Limited, 24th Level, Williams City Centre, Pinner Lane, Wellington.
P.O. Box 9735 Wellington, N.Z. Telephone (04) 723 095 Telex NZ31002
2nd Floor, Aetna Life Building, St Paul Street, Auckland. P.O. Box 5175, Auckland, N.Z. Telephone (09) 30 294 Telex NZ21799
P.O. Box 16-264 Christchurch, N.Z. Telephone (03) 499 005

NBR BUSINESS WEEK

Securities Commission: teeth for the watchdog

by Peter V O'Brien

THE Securities Commission will be concerned to see that legal techniques which are appropriate for one purpose should not be distorted for another purpose.

The commission's chairman designate, Wellington lawyer Colin Patterson, says that centuries of commercial law have produced techniques which are very apt for a particular purpose. Using those particular techniques might give one solution in one area, but in the long run cause problems in other areas.

He uses the term

"debtenture" as an example.

A "debtenture" is an acknowledgment of any kind of debt in traditional legal terminology, but popular usage has given it a cast which means something different.

"Now it is a very uncertain term," Patterson says. "We (the commission) want to remove this uncertainty."

But he is emphatic that the commission will not be imposing legal straight-jackets on the commercial community, and quotes a piece of doggerel to illustrate the point:

"There are four and twenty ways of performing tribal

laws, and every one of them is right." This is also the philosophy which affects the accountants' "true and fair view" when describing a balance sheet. Working from the same raw information, it is possible to construct many balance sheets, each of which presents a different picture of the enterprise. The differences relate finally to questions of judgment, answered conservatively or liberally, in areas where there are no "right" answers.

Patterson acknowledges that the commission's empowering act creates a situation which is riddled with

conflicts between various divisions of commercial and corporate law. He says the commission will have to strike a balance "in a whole host of areas".

Problems relating to the nature of a company's "capital" in the contemporary scene have, in his view, been mixed up with other legislation devised to handle particular situations.

"Other legislation, principally tax legislation, has resulted in complexities in the corporate capital structure. That legislation needs to be looked at from a general point of view, rather than the



C I PATTERSON... commission will have to "strike a balance"

"may" be made. Second, seems that if regulations are made in this manner, they will be made "in accordance with recommendation etc."

But that is only one aspect of the section. The commission cannot operate in a vacuum. After detailing the area where regulations may be made, the Act says: "Before making any recommendation... the Commission shall... everything possible on its part to advise all persons and organisations who, in his opinion, will be affected by the Order in Council made in accordance with the recommendation, of the proposed terms thereof; and give such persons and organisations a reasonable opportunity to make submissions thereon to the Commission."

That provision could create administrative problems. The first question is the matter of the commission's opinion, whether that is a free flowing opinion, or an opinion which must be reached with regard to the usual rules of reasonableness and so on.

Put another way, the issue is whether the corporate capital structure should flow from tax and other legislation, or the latter flow from the former. Do you define the appropriate capital structure of the enterprise and maintain it, or adapt the structure in the light of fiscal expediency at any particular time?

These issues go deep into the nature of commercial law, economics, and the concept of incorporation. They also move further back into the underlying philosophies on which such concrete forms are based, but Patterson is quick to say that the commission is not concerned with policy, only with practical effects of policies on the day-to-day working of the commercial world.

The commission's first job is the overhaul of the rules relating to the issuing of prospectuses, a job which is listed first among several matters in section 70 of the Securities Act.

The procedure is involved, but will probably shake down in time. Section 70 says that the Governor-General may from time to time, by Order in Council, in accordance with the recommendation of the Commission (our emphasis) make regulations for various purposes. The first point to note is that there is no compulsion on anyone to follow the commission's recommendation. Regulations

of the law and practice relating to securities."

The third power is one of education. Patterson has several ideas about this, including the possibility of preparing material for use in schools so that people have a better understanding and working knowledge of significant matters which affect their everyday finances. The second power contains the curious words "to comment thereon to any appropriate body". This seems to bring in organisations like the Finance

Houses Association, the Stock Exchange Association and other bodies which deal in securities. But a power to "comment" is a vague power. The effectiveness of this power will depend on the commission's authority, and its ability to persuade people from a position of respect, backed up by the final sanction of recommending to the Minister that legal changes be made.

The commission will hope that its "comments" will be taken seriously by organisations to which they

are directed, rather than being dismissed as an interesting opinion which may or may not be followed. If the latter result occurred after a "comment" the commission, irrespective of its power to recommend legal change, might as well not exist. It would lack the authority essential to such a body.

Patterson gives the impression that he and the other commission members (yet to be appointed) will move gradually in reviewing and revising the law, and will be careful not to promote

sweeping change just for the sake of change. Patterson says firmly that the job is to create the proper framework for the financial and commercial system to get on with its business while ensuring that people investing in the various enterprises are fully acquainted with the risks inseparable from commercial activity.

But change in one area will inevitably lead to change in others. Patterson agrees that alterations to the rules about prospectuses will lead to new rules on disclosure in company accounts. If the commission decides, for example, that turnover or revenue figures should be disclosed in a prospectus to inform potential investors, that disclosure would have to be made in annual accounts of all enterprises, entailing changes to the 8th Schedule of the Companies Act. Keeping disclosure to prospectuses only would make an unfair differentiation between organisations which were seeking funds and others which had already raised the money.

Patterson is also concerned that company accounts at present are not comparable. Companies use different accounting conventions, or modify them. "It is a matter for concern that like should be compared with like," he says. This is a delicate area. The accountants are progressing to a consensus on the preparation and presentation of accounts, but they have some distance to go. The commission could

provide a useful stimulus to this work, in conjunction with the professional bodies.

The commission's main job will be to reconcile the inevitable conflicts arising from the impact of its particular decisions and recommendations.

The total system of commerce and finance is inter-related. A change in one section has repercussions in others. The interest on Deposits Regulations, for example, diverted funds from traditional institutions to "fringe" operators, some of which were fraudulent. In normal times, these organisations would probably have been frozen out of the funds market. Controls on some interest rates made

them unusually attractive to the public. It took the politicians and commercially inexperienced public servants four years to see that the regulations were a mistake, in spite of arguments against its controls within a few days of their publication.

If the Securities Commission can develop as a powerful watchdog over such ill-founded policies it will earn itself a place in the country's commercial life without doing anything else. The promise for the commission is high. The selection of its chairman suggests that promise will be realised. Patterson seems determined that the commission will do its job properly, and practically. He has the qualifications to achieve his determination.

Key indicators

	Current Period	Previous Year	Percentage Change
Consumer Price Index - all groups base Dec. 1967 = 1000	Dec. 78	1104	+ 10.8
Building Permits Issued	Nov. 78	107.4m	+ 8.00
Official Overseas Reserves	Nov. 78 yr.	\$ 108.6m	+ 11.00
Registered Unemployed - Incl. those on special training schemes	Dec. 78	\$ 284.7m	+ 6.00
NZUC Share Price Index	Dec. 78	\$ 17.50	+ 118.01
Reserve Bank Share Price Index	21 Feb. 79	\$ 17.50	+ 8.00
	31 Feb. 79	1500	+ 7.00

THINK COMPUTERS
THINK WORD PROCESSING
THINK SERVICE

WANG

COMPUTER LIMITED
PHONE Auckland 540116 Wellington 843-262

How to find a needle in a haystack in less than 30 seconds.

"We can approve credit for any one of our 36,000 cardholders in less time than it takes to write-up the bill."

— Pat Reinhardt, Manager, Membership Division, Diners Club of New Zealand.

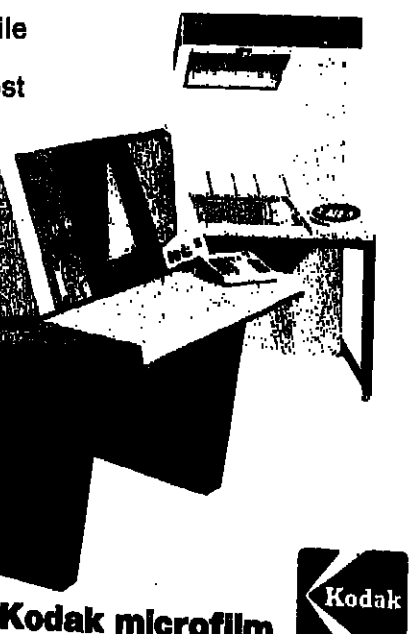


today and in the future. And it can mean a full range of application capabilities. Kodak Oracle equipment. A low-cost micro-image filling and retrieval programme that takes the needle out of the haystack in your information flow problems. A method that truly responds.

- Re-allocate the efforts of file maintenance personnel.
- Reduce the problems of lost money as the result of lost, misplaced, and misfiled documents.

Kodak Oracle means quicker, more efficient management and retrieval of your information through microfilm. It means easy, one-step key access through discrete document codes. It can mean flexibility, no matter what your filing procedures.

- Reduce multiple manual sorting steps.
- Quickly match, co-relate, or cross reference two or more documents.
- Retrieve documents very quickly (under 30 seconds).
- Periodically purge files to save file space.
- Obtain legible, legally acceptable copies of documents.
- Eliminate duplicate copies and files.



Kodak microfilm

To: Business Systems Markets Division, KODAK New Zealand Limited, P.O. Box 2198, Auckland.

Please send me more information on the time-saving, space-saving, money-saving Kodak microfilming systems.

NAME:

COMPANY:

ADDRESS:



"Apparently there's an executive bug going round."

Fletcher understates merits of attractive share issue

by Peter V O'Brien

FLETCHER HOLDINGS' one for three specified preference share issue has considerable attraction for investors, but it is also complicated. Unfortunately background information published so far contains two arithmetical errors (one minor) and at least one invalid assumption. If they were corrected, the issue is more attractive than appears from the company's statements. Last week, the Auckland conglomerate issued a "Fletcher Background" to financial institutions, brokers, and the financial press.

The second and third sentences say: "The Specified Preference Shares will carry the attractive dividend rate of 15 per cent per annum paid semi-annually. This is equivalent to a yield of 15.58 per cent, p.a. paid annually in arrears."

The "equivalent" yield has been calculated on the basis of taking one half-year payment and reinvesting it for six months at 15 per cent. The assumption that the investor can obtain a return of 15 per cent on that money in present conditions overlooks the comparative risk factors.

Excluding mortgage investments, any person who sought a yield of 15 per cent would be taking a level of risk well beyond that involved in a company like Fletcher Holdings. The highest rate available currently from a reputable finance house is UDC's 14 per cent unsecured notes. No listed company is providing a dividend yield anywhere near 15 per cent. The secondary fixed interest market last week was also below 15 per cent.

The first arithmetical error relates to the allotment of Fletcher ordinary shares for the specified preference shares in six years on the basis of 65 per cent of the then price for Fletcher ordinaries. This error fortunately understates the return to the investor, and is not as serious as an overstatement.

The company says that a conversion at 65 per cent of the ordinaries' price gives a "15 per cent gain at the end of six years". That is incorrect. The return at the end of six years is



INVESTOR INSIGHT

17.8 per cent. The error has occurred through confusing a discount rate with a percentage gain. If something is bought at 100 and sold at 115, that is a gain of 15 per cent. But if something worth 100 is discounted to 85 (the principle which applies to commercial bills where one talks of a "discount rate") rather than a rate of "interest" (the difference between 85 and 100 is the gain. And 15 related to 85 is 17.64 per cent, Fletcher's examples illustrate the point.

The company says "If the market price in six years is \$2.35, two specified preference shares will convert to one ordinary, while if it is \$3.53 it will take three specified preference to obtain one ordinary". This means that \$2.35 equals an initial investment of \$2, while \$3.53 equals an initial investment of \$3. Consequently, the difference of 35 and 53 cents respectively is related to the appropriate investment, which in turn means that half of 35 cents (17.5 cents or 17.5 per cent) is the gain on \$1 of investment in one share, and one third of 53 cents (17.66 cents or 17.66 per cent) is the gain on \$1 of investment in the other case.

The company has made another understatement in saying that the final yield incorporates "at least 2.5 per cent per annum of bonus". This figure has been calculated by taking 15 per cent and dividing by six. Apart from the fact that the 15 per cent is incorrect (should be 17.64 per cent) the division is invalid, although it will be seen that the real return is a quarter of 1 per cent higher than the company has calculated.

If a share is bought at \$1, and 2.5 per cent a year is sought for six years, the investor needs to realise \$1.16 at the end of six years. If the final amount is \$1.15, the annual gain is 2.35 per cent. The difference is minor, and therefore is unlikely to deter any shareholders from taking up the issue.

The actual bonus element

per year, working from a gain of 17.6 per cent based on the discount rather than a percentage increase of 15 per cent, comes out at 2.75 per cent, or 0.25 per cent compound a year above the calculation in the background.

It should also be noted that the market will amortise the final gain of 17.64 per cent in varying proportion over the life of the security. That will increase the return to the shareholder, although to what extent depends on the final decision taken in the market. To that extent the return is again understated, although Fletcher is to be commended for taking a conservative approach to that element of the security.

The full return to the investor is therefore in excess of that given in the preliminary documents, after allowing for the theoretical question of reinvesting payments at 15 per cent a year.

Fletcher has understated the merits of its issue. The company's approach to specified preference shares is designed to minimise the effects of conversion on diluting capital. The burden of servicing generous specified preference shares after conversion is considerable if they have been issued in a high ratio to existing ordinary share capital, because after conversion the dividends would be paid from after tax earnings. The dividend on a specified preference share is tax deductible.

The Fletcher approach makes the specified preference share a fixed interest security, with an unchanging 17.8 per cent increment. So provided the head share price stays above \$1.18, there is no fluctuating capital gain. Equally there is no chance of fluctuating capital losses. That is a bull point for any investor these days.

NEW EDITION NOW AVAILABLE

Ge New Zealand Business Who's Who

The proof's in the using...

36.6 per cent of purchaser/user respondents in a recent, independent Heylen survey use the NZ Business Who's Who once to most days a week... another 37.9 per cent refer to the directory two or three times a month.

That kind of collective testimonial speaks eloquently for itself.

At good bookshops, or write direct to P.O. Box 9143, Wellington. \$30.00 plus \$1.20 postage. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

COMMERCIAL SPACE
OFFICE — WAREHOUSE
INVESTMENTS
If you haven't tried
WEYBURNES
you are not really looking!
RING 843-955, NOW
M.R.E.I.N.Z.

R. A. JARDEN & CO.
STOCK AND SHAREBROKERS
Members of the Wellington Stock Exchange
9th Floor B.P. House
Cnr Waring Taylor St & Customhouse Quay,
Wellington, New Zealand
Telephone 736-860
Box 3394, CPO Wellington 1
Telex N.Z. 3567
Cables: Portfolio, Wellington

John C. 316

NBR SHAREMARKET SURVEY

Year	Rate
4.0	3.1
6.8	4.1
4.2	4.2
7.1	4.8
5.6	4.2
3.8	4.3
3.8	4.0
5.3	5.1
5.3	6.7
8.4	6.4
4.9	3.4
6.4	13.4
9.4	5.1
11.7	2.6

280
270

